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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

BRITISH GAS

Global horizons
beckon UK utility

Page 17

FT No. 31,571

THE FINANCIAL TIMES LIMITED 1991

Wednesday October 2 1991

D 8523A

World News

US cuts off aid to Haiti as president is expelled

The US and France suspended economic and military aid to Haiti after Monday's military coup which ousted President Jean-Bertrand Aristide.

Aristide flew with his family to Venezuela in an aircraft provided by Venezuelan President Carlos Andrés Pérez. He is expected to fly on to France, where he has been offered asylum, on the US. Page 3

Romanian PM nominated
Petre Roman nominated his ex-finance minister, Theodor Stolojan, to succeed him after last week's riots by miners led to his resignation.

Chernobyl leak
A shield preventing further radiation leakages from the Soviet Union's Chernobyl nuclear plant, which exploded in 1986, needs refuelling, the Tass news agency said. Rainwater was leaching radioactive elements into the ground.

Togo rebels ousted
Rebel troops in Togo, opposing a new government set up to end the country's 24-year military dictatorship, were forced out of the broadcasting station they seized in the capital, Lomé. Page 4

Swedish tax cuts
Sweden's new government is expected to announce annual tax cuts of about SKr10bn (\$1.6bn) to help pull the economy out of deep recession. Page 2; Swedish banks hit by credit losses. Page 17

Mobutu weakened
Zaire's new premier, Etienne Tshisekedi, began negotiations on the shoring-out of cabinet jobs and seemed to have weakened President Mobutu Sese Seko's hold a week after army-led fighting triggered nationwide riots. Page 4

Tories 'losing nerve'
UK opposition Labour party leader Neil Kinnock accused the ruling Conservatives of "losing their nerve" with the decision not to call a November general election. In a speech to his party's annual conference, he effectively committed Labour to fixed-term parliaments. Page 8

French olive branch
France signed a friendship and cooperation accord with Czechoslovakia in an attempt to improve its relations with eastern Europe. Page 2

Kaifu faces trouble
Chinese prime minister Toshiro Kaifu, whose term in office expires this month, has damaged his re-election prospects by supporting political reforms which would reduce the number of seats in the Japanese parliament. Page 4

Athens bans cars
Cars were banned from the centre of Athens for the second day as air pollution reached record levels.

UK store for Soviets
Littlewoods, UK stores group, is to open two branches in St Petersburg.

Drugs ring broken
Portuguese police seized 490 kilos of cocaine and broke an international drug trafficking ring based in Colombia.

Gorbachev on paper
Soviet President Mikhail Gorbachev has written a book on the failed coup which temporarily ousted him in August. It is being considered by the Novosti publishing house.

Business Summary

Italian government boosts privatisation

The Italian government has given a boost to privatisation by dropping the state's insistence on retaining majority control. Legal mechanisms are also to be introduced transforming state enterprises into publicly quoted companies.

The measures, approved by the cabinet late on Monday night as part of next year's budget, were championed by treasury minister Guido Carli, and pushed through in spite of socialist objections in the four-party coalition. The government is hoping to raise up to L15,000bn (\$12bn) in privatisations next year. Page 18

US BANKS: The number of banks is expected to shrink by 25 per cent in the next 10 years and the banking industry could lose a quarter of a million jobs, according to a new survey of bankers by Andersen Consulting, an arm of auditors Arthur Andersen. Page 17

BRITISH AEROSPACE: A consortium of London financial institutions is in discussions with continental defence companies to organise a break-up bid for British Aerospace. The defence conglomerate unveiled a £422m (\$702m) rights issue two weeks ago to shore up the group's finances. Page 18

SWEDISH BANKS: Mounting credit losses have severely damaged the financial performance of two of Sweden's leading commercial banks, Svenska Handelsbanken and Gota Bank, according to their interim reports. Page 17

SAFeway: large California-based supermarket chain which was taken private in a leveraged buyout in 1986, reported doubled after-tax profits of \$403m in the third-quarter. Page 20

SEARS' pre-tax profits slumped from \$22.4m (\$108m) to \$4.6m as the UK speciality retailing, home shopping and property group confronted the "worst trading conditions in over 20 years". Page 18; Lex. Page 16

DAVIES & Newman Holdings, parent company of the UK independent airline Dan Air, is almost refloating itself on the London stock market with the issue of 107.5m shares to raise \$49.3m (\$30m). Page 18

AEG, loss-making subsidiary of Germany's Daimler-Benz motor and industrial group, is talking with several companies about the sale of its profitable cablemaking operation, which last year had a turnover of DM1.9bn (\$1.1bn). Page 18

DEN NORSE BANK (DNB), Norway's biggest bank, will go ahead with a planned capital expansion through a share issue next month, despite a 70 per cent fall in share price this year. Page 21

CANADA and Singapore have become embroiled in a heated row over Ottawa's decision to revoke a seven-year-old bilateral air services agreement. Page 6

TOURANG, consortium formed by Kerry Packer and Conrad Black to bid for the Australian Fairfax newspaper group, will be floated within a few years if its bid succeeds, a federal parliamentary committee was told. Page 20

GROUPE Royale Belge, Brussels-based insurer, said that judging from its first-half results, trading profits for the whole of 1991 would rise by some 10 per cent compared with 1990. Before tax and transfer to reserves, the group realised a profit of Bfr3.4bn. (\$69m) Page 18

ASSURANCES Générales de France (AGF), second largest state-owned insurer, reported a slight decline in first-half profits, hit by higher than usual car theft claims and pressure on industrial risk premiums. Net profits fell to FFr1.83bn (\$320m). Page 18

Soviet republics move towards a common market

By Leyla Boulton in Alma Ata

TWELVE Soviet republics yesterday initiated a fragile plan for a common market designed to save their economies from collapse.

Eight of the republics undertook to sign the treaty for a so-called economic community by October 15 - the original title of an "economic union" was dropped during the talks because of its associations with the old Soviet Union.

Kazakhstan's president, Mr Nursultan Nazarbayev, who hosted a meeting of republican leaders, said the eight included the Ukraine, the second most powerful republic, which wants full political independence.

The tenuous nature of the agreement was underlined when Mr Vitold Fokin, the Ukrainian prime minister, said he hoped his parliament would back him when it convenes next week: "I very much hope that this will happen because economic isolation means economic death."

Even though it is just a first step in a process which may yet fail, there now appears to be a chance that the republics may pull back from trying to resolve their common economic crisis in isolation.

The four other republics - Moldova, Armenia, Georgia, and Azerbaijan - also displayed a new-found pragmatism even though they wanted more time to give the plan final approval. Mr Mircea Snegur, the Moldovan leader, said he could not ignore the fact that Moldova's economy had been too closely integrated with the rest of the country since being annexed by the Soviet Union 50 years ago.

Mr Gregory Yavlinsky, architect of the project, said the final agreement would be signed in a process which may yet fail, there now appears to be a chance that the republics may pull back from trying to resolve their common economic crisis in isolation.

The 3.7m-strong Soviet army is to be cut by up to a half by 1994, the independent news agency Interfax reported last night. Colonel-General Pavel Grachev, first deputy defence minister, also said a unified Soviet command should be created with control over nuclear forces. Page 2

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in the right direction.

Apart from facing political obstacles, the treaty - to last initially for three years - can only become reality after the republics conclude detailed agreements on all aspects, from taxation to labour policy. Mr Yavlinsky said some 20 such agreements would take three to four months to conclude. He suggested January 1 as a possible start date for the community. The treaty's provisions include:

- Free movement of goods, services and labour;
- A common monetary and central banking system;
- A "unified" tax system (this means a uniform rate for those taxes applied in all republics; there will be no federal taxation);
- A community budget which cannot be in deficit and agreed limits on the republics' budget deficits;
- Co-ordinated price reform including agreed prices on certain key goods in a transitional period. Republics which do not join the economic community will face world prices for crucial supplies such as oil.

UN team leader warns on Iraqis' possession of technical knowledge

Iraq 'could rebuild N-capacity'

By Bronwen Maddox in Bahrain and Alan Friedman in New York

IRAQ was apparently exploring ways of delivering nuclear weapons to its targets by both aircraft and missiles, according to United Nations inspectors in Bahrain.

Mr David Kay, leader of the UN team detained in Baghdad for five days last week after finding vital Iraqi papers, said he had seen a design for a nuclear warhead, although some other documents which may have provided more detail on Iraqi plans for delivery systems were taken away by Iraqi soldiers.

The UN team had already found evidence of a sophisticated Iraqi programme for enriching uranium, of research into detonating a nuclear device and of Iraqi dealings with foreign companies supplying nuclear-related facilities.

The findings have enabled

the UN to conclude that if Iraq had secured enough enriched uranium for a bomb, construction of the weapons would have been no obstacle.

"But the real problem is that the technical knowledge still exists and is locked away in the heads of thousands of Iraqis, most of them educated in western or Soviet universities."

Another concern is that Iraq has managed to procure the necessary equipment for its programme and to copy such equipment in its own factories.

Three 45-kilovolt power supply units that are believed to have helped Iraq's uranium enrichment programme were sent from New York to Baghdad as recently as January 24 last year. The units came from Hipotronics, a maker of electrical equipment in Brewster, New York.

Mr Stephen Peschel, president of Hipotronics, said the company had originally shipped four 45-kV units in 1988 and five 21-kV units in 1989, with export licences approved by the US department of commerce. He said Baghdad claimed they were needed for welding and steel-cutting.

According to an Iraqi defector who was debriefed this year by US intelligence, the power units were used by Iraq to try to make weapons-grade uranium at a secret underground site in the mountains north of Baghdad, although Mr Kay said he had seen locally produced power units in Iraq.

Mr Kay expressed concern that Iraq now had the skills to rebuild its nuclear weapons programme in spite of the destruction wrought by the Gulf war and the efforts of the UN teams charged with destroying the country's unconventional weapons.

"Of course we can chop up the equipment, and we'll do so. The research centre at Tuwaitha is already heavily bombed. We can go in and chop up the uranium enrichment equipment at Tarmiya and Al-Sharqat, that's not hard to do," he said.

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Return to Croatia: armed vehicles leave Belgrade for the rebel republic yesterday as the fragile Yugoslav ceasefire was shattered with fighting reported around Vukovar

Japanese stocks soar on hope of rate cut

By Stefan Wagstyl in Tokyo

JAPANESE STOCKS soared yesterday on hopes of lower interest rates after moves by the Bank of Japan to ease controls on bank lending.

The central bank announced plans to cut, for the first time in 10 years, commercial banks' reserve ratios. These govern the amount of funds institutions have to deposit interest-free at the Bank of Japan.

Investors widely interpreted it as a sign that further interest rate cuts are on the way from the central bank. The Nikkei index of leading stocks rose 460 points to 24,377.01. Short- and long-term interest rates fell, with the yield on the benchmark government 10-year bond falling to 5.90 per cent, its lowest level in 21 months.

The ratio cut indicates the central bank's growing confidence that its two-year battle against inflation and speculative excess in the financial and property markets has been won. It is gradually switching the focus of its attention to ensuring the recent slowdown in the economy does not go too far. The last time reserve ratios were cut was in 1981 - a recession year.

Central bank officials said the cut was not specifically designed to ease credit but added it could have a credit-easing effect. The actual impact of the measure, which comes into effect on October 16, would depend on movements in the money market. Continued on Page 18

Kaifu damages re-election prospects, Page 4; Government bonds, Page 25; World stock markets, Back page, Section II

IBM, Apple to emphasise fast product development

By Louise Kehoe in San Francisco

DETAILS of the collaboration between International Business Machines and Apple Computer, to be unveiled today, reveal a more rapid move to bring commercial products to market than had been expected.

When IBM and Apple first announced talks earlier this year, attention focused on the companies' longer-term plans for software development.

Today, they will describe plans to bring products to market over the next two to three years. These include:

- Jointly developed software tools to make it easier to link Apple's Macintosh personal computers into networks of IBM computers. Products are scheduled to appear by the end of this year.
- An Apple-developed version of the latest Macintosh operating system software, System 7, which will run on computers based on an IBM-designed RISC (Reduced Instruction Set Computing) microprocessor.
- A new set of microprocess-

sors based on IBM's RISC design, to be developed by Motorola, Apple's chip supplier. Over two to three years, 300 engineers from IBM and Motorola will work together on three versions of the chip design, to be called Power PC, for personal computers, workstations and PC networks.

"These are all monster products," says Jim Norling, president of Motorola's semiconductor group. "No one company could possibly develop all of them in this time frame."

● A joint Apple and IBM development effort to blend the two companies' current versions of the AT&T Unix operating system into a new version that will run programs designed for both. The new version of Unix will meet the standards established by the Open Software Foundation, one of two main standards for Unix. The software development is also expected to take two to three years.

Power PCs running the new Unix software will compete with rival high-powered PC designs being drawn up by industry consortium called ACE and by Sun Microsystems.

Apple and IBM will also form two joint venture companies to address longer term projects. Both will be based in California and staffed by people from IBM and Apple. The first will use a radically new approach to software design, called object-oriented software, to develop a new, all encompassing operating system that will run on IBM, Apple and other computers.

Apple's "Pink" project, which has been underway for several years, will form the basis of this new joint effort.

The second Apple IBM joint venture will be aimed at creating an industry standard for "multimedia", the simultaneous processing of video, graphics, voice and text. The two companies will combine the extensive work that both have done in this field.

Taste of Apple, Page 12

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Political wrangling leaves Zaire's crisis unsolved



His country stands on the brink of chaos, but President Mobutu of Zaire (left) remains shrouded in absolutist authority and refuses to articulate a commitment to a new political and economic order. Page 4

STERLING		DOLLAR		STOCK INDICES	
New York lunchtime:	\$1.7485	New York lunchtime:	DM1.680	FT-SE 100:	2,645.8 (+23.9)
London:	\$1.748 (1.753)	London:	FF5.684	FT Ordinary:	2,035.9 (+14.3)
DM2.915 (2.915)		London:	SF1.4555	FT-A All-Share:	1,275.02 (+0.8%)
FF9.325 (9.325)		London:	Y133.3	New York lunchtime:	
SP2.54 (2.54)		London:	DM1.6855 (1.6825)	DJ Ind. Av.	3,024.82 (+8.05)
Y233 (232.75)		London:	FF5.675 (5.6825)	S&P Comp	389.31 (+1.44)
£ Index 91.1 (same)		London:	SF1.452 (1.4485)	Tokyo: Nikkei	24,377.01 (+480.57)
GOLD		London:	Y133.15 (132.6)	LONDON MONEY	
New York: Comex Dec	\$357.3 (same)	London:	\$ Index 84.5 (84.3)	3-month interbank	10.2-10.4% (10%)
\$357.3 (same)		London:	Tokyo close: 133.18	Libor long gilt future:	86 3/4 (Dec 91)
\$353.85 (354.55)		London:	US lunchtime rates		
N SEA OIL (Argus)	\$20.875 (21.05)	London:	Fed Funds: 5 1/2%		
Brant Nov	\$20.875 (21.05)	London:	3-mo Treasury Bill:		
Chief price changes		London:	Long Bond:		
yesterday: Page 17		London:	103 3/4		
		London:	yield: 7.801%		

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EUROPEAN NEWS

Moscow says army to be reduced by nearly a half

By Neil Buckley in Moscow

THE SOVIET army is to be cut by up to a half by 1994, and will become semi-professional, the independent news agency, Interfax, reported last night.

The decision to reduce the army from 3.7m to 2.5m men was announced at a joint session of Russia's parliamentary council on security and social protection for services.

Gen Grachev also indicated the beginning of a radical shift in the composition of the army.

The length of compulsory military service will be reduced from two years to 18 months starting with this autumn's draft. From the beginning of next year, volunteers will be able for the first time to sign up for contracts of two to five years.

The number of volunteers in the army is expected to reach 315,000 by the end of 1992, and to account for 45 to 50 per cent of the total number of troops by 1995. At this stage, compulsory service will be reduced again, to 13 months.

Gen Grachev said that a priority in reform of the army was the creation of joint armed forces with a unified command structure and unified nuclear potential. He expressed concern about the plans of some republics, notably the Ukraine, to create their own armed forces.

The cuts go further than those previously suggested by the new Soviet defence minister, Mr Yevgeny Shaposhnikov, who told the Japanese newspaper Yomiuri Shimbun the army would be cut from 3.7m to 2.5m men.

The Soviet Defence Ministry said it was not able to comment last night on why the size of cuts had been increased.

A spokesman for Mr Mikhail Gorbachev, the Soviet president, announced yesterday that the group of advisers had been appointed to prepare a substantive response in a matter of days to the sweeping US nuclear arms cuts announced last week. The US cuts,

announced by President George Bush on Friday, include the destruction of all US ground-launched tactical nuclear missiles and the removal of nuclear cruise missiles from submarines and warships.

His spokesman said the Soviet response would be "concrete and corresponding in scale." He said the working group would be in close contact with US officials and the Soviet position would take into account the existing imbalance of the nuclear forces between the two sides.

"The president has ordered that our reciprocal actions and counter-measures be ready in a week and some days out of that week have passed already," Gen Grachev said.

The Soviet Union has disclosed that it kept nuclear weapons in eastern Germany until June, German Social Democratic party chairman, Mr Bjoern Engholm, said yesterday, Reuters reports from Berlin.

Mr Michael Emerson, the EC representative in Moscow, who was present at the meeting between Mr Christophersen and Mr Gorbachev, said the Soviet president had not given any reason for scaling down his request.

"The Community did not enter into any bargaining," he added, saying that Mr Christophersen had placed pressure on President Gorbachev during the meeting to reduce his first demand, which was considered unrealistically high in western circles.

Mr Christophersen said on Monday that the EC was not yet able to take a decision on the Soviet Union's initial request for \$5.5bn in aid since it did not have enough information about the Soviet food situation, or how the Soviet Union would use the aid.

"We would like to see how the figures have been calculated," said Mr Christophersen.

Mr Bush made his announcement as Mr Edward Madigan, US agriculture secretary, was due to head a delegation of leading American businessmen and government experts to Moscow, St Petersburg and Kiev over the next nine days.

The credits are part of a \$2.5bn credit package to the Soviet Union which was due to run until February 1992.

The accelerated disbursements follow last week's move to guarantee 100 per cent of the principal on the loans to make them more attractive to the commercial banks.

Although the US recognises the risk of a sharply reduced Soviet harvest, it will not make any final decisions on extra food aid until Mr Madigan returns.

The Soviet requests for food aid have met with some scepticism in Washington.

"We have no idea what these figures are based on," said one US official.

The administration is finding it difficult to assess Soviet needs because of conflicting reports from central authorities in Moscow, individual republics and local mayors about shortages.

It also suspects that production forecasts are being deliberately lowered in order to raise future prices on the black market for hoarded grain.

Mr Desmond Pitcher, chief executive, said the company would be able to repatriate profits because it was selling goods for hard currency.

The delegation announced that it planned to provide an example for future Soviet farms by building a model British farm near St Petersburg - a project it hoped to begin, finance permitting, by next month.

However, it admitted that there was, as yet, limited incentive for western companies to provide widespread investment either in agriculture or in the food retail business. Prospects for recouping about currency profits from these investments were limited, and, most significantly, the prices of badly needed staples, such as sugar and flour, were still fixed by the state.

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Soviet aid demand cut by \$4.5bn to \$10.2bn

By Gillian Tett in Moscow and Lionel Barber in Washington

THE SOVIET Union is cutting its request for western aid for this winter by nearly a third, a senior European Community official said yesterday.

The original Soviet request had been for \$14.7bn, of which approximately \$6.5bn was laid at the door of the EC.

However, Mr Henning Christophersen, the European commissioner for economic affairs, told reporters after meeting President Mikhail Gorbachev that this request had now been dropped to \$10.2bn.

The news came as US President George Bush accelerated disbursement of \$558m in agricultural credits to the Soviet Union, saying it was needed to help the Soviet people get through a hard winter.

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EC ministers cautious on energy tax

By David Gardner in Luxembourg

EUROPEAN Community environment ministers yesterday gave a cautious first reading to ambitious plans announced last week by Brussels to introduce a tax on energy aimed at reducing carbon dioxide emissions and combating global warming.

The European Commission wants member states to rebalance their fiscal systems to impose a tax equivalent to \$10 on a barrel of oil by 2000, rising from \$3 in 1993 by \$1 a year.

While many member states were unwilling to commit themselves until the Commission refines its proposals, it is already clear that countries such as Germany and Denmark are aiming at CO₂ reduction targets which would be impossible to achieve without fiscal measures.

While the EC as a whole last year committed itself to stabilising CO₂ emissions at 1990 levels by 2000 - a real cut Brussels estimates at 11 per cent - these and other industrially powerful countries intend going further.

Germany's national target is to cut emissions from 1990 levels by 25 per cent by 2005, while Denmark intends to reduce CO₂ output by 20 per cent over the same period. The Netherlands and Belgium have said they will make additional real cuts of 5 per cent by 2000.

The UK, by contrast, has only undertaken to stabilise at 1990 levels by 2005, five years after the common target.

Mr Tony Baldry, the UK's junior environment minister, said yesterday, however, that Britain was not opposed to the Brussels plan.

"An energy tax could well be appropriate," he said, "but to be effective, measures have to be taken internationally."

The new tax would in fact be two levies, one on all non-renewable fuels according to energy value, and an additional charge on fossil fuels graded according to carbon content. It would be offset by tax cuts in other areas. Energy-intensive industries would be exempt, and asked to reduce fuel consumption voluntarily until the US, Japan and other EC trading partners adopted equivalent regulations.

Yesterday's ministerial meeting agreed on standardised reporting procedures for more than 30 EC directives on water, waste, and air quality, a discreet procedural advance which will make it more difficult for member states to flout Community environmental law.

However, ministers failed again to agree on a directive establishing an EC-wide network of protected habitats for wildlife. Editorial comment, Page 14

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Although the US recognises the risk of a sharply reduced Soviet harvest, it will not make any final decisions on extra food aid until Mr Madigan returns.

The Soviet requests for food aid have met with some scepticism in Washington.

"We have no idea what these figures are based on," said one US official.

The administration is finding it difficult to assess Soviet needs because of conflicting reports from central authorities in Moscow, individual republics and local mayors about shortages.

It also suspects that production forecasts are being deliberately lowered in order to raise future prices on the black market for hoarded grain.

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New target for German far right

By Christopher Parkes in Bonn

THE extreme right-wing Deutsche Volksunion (DVU), which shocked Germany at the weekend by capturing six seats in the Bremen state parliament, is to contest elections in Schleswig-Holstein next April.

It will decide in the next few weeks if it will also bid for representation in the Baden-Württemberg poll in the same month. Announcing its programme in Munich yesterday, Mr Gerhard Frey, DVU chairman, renewed attacks on "fake asylum-seekers and criminal foreigners".

The move on Schleswig-Holstein, like Bremen an SPD stronghold, is a direct assault on the SPD leadership. Mr Björn Engholm, chairman of Germany's main opposition party, is also prime minister of the state.

The DVU's success cost the SPD an overall majority in Bremen it had enjoyed for 20 years. Baden-Württemberg presents a more difficult target. Unlike Bremen and Schleswig-Holstein, its population, centred in Stuttgart, is generally prosperous and middle-class.

The state is also the sole remaining region in the former Federal Republic controlled by Chancellor Helmut Schmidt's ruling CDU.

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SMOG SCARE CLEARS THE STREETS OF ATHENS OF CARS

A normally busy street in Athens was almost deserted yesterday after the Greek government ordered all cars to be barred from the city because of record levels of photochemical smog. Hundreds of people reported to hospitals complaining of heart and breathing problems.

The number of taxis allowed to operate was halved. The ban will be repeated today. The Acropolis is just visible through the gloom at the end of the street.

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Rotterdam court bans docks strike

A Rotterdam court yesterday banned port workers from striking this weekend in protest against state welfare cuts, saying their employers were not party to the dispute. Renter reports from Amsterdam.

The president of the district court granted an injunction to employers forbidding strikes called by the transport branch of the FNV union federation. The court told the union to withdraw yesterday call for a 24-hour general port strike to start on Friday morning.

Union leaders said they could not rule out wildcat strikes.

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AMERICAN NEWS

White House economists urge new measures to ease 'credit crunch'

US indicators point to weak economy

By Michael Prowse in Washington

THE US composite index of leading indicators failed to rise in August, signalling possible future weakness in the US economy, the Commerce Department said yesterday.

A separate report by purchasing managers indicated manufacturing industry continued to expand in September, but at a slower pace than earlier in the summer.

The figures, suggesting a mixed economic outlook, were released as the Federal Open Market Committee (FOMC), the US central bank's policy-making committee, met to discuss interest rate policy. The committee was expected to lean towards further easing of

monetary policy, but its deliberations will not be made public for six weeks.

The index of leading indicators was flat in August after steady gains in the preceding six months. Six of its 11 components signalled contraction, including orders for plant and equipment, claims for unemployment insurance and real money supply.

An index of coincident indicators - designed to measure current economic conditions - fell slightly and has shown no growth since June. Taken together, the behaviour of the indicators supports the view that the economic recovery faltered in late summer, but it

does not yet suggest an economic relapse.

The purchasing managers' index, a closely watched measure of manufacturing health, rose to 55 per cent last month, compared with 54.8 per cent in August. The increase was smaller than in recent months but indicates that prospects in manufacturing remain brighter than in the larger services sector. The index has been above 50 per cent - the level that indicates the manufacturing economy is expanding - for four months.

Mr Robert Bretz, for the National Association of Purchasing Managers, said the economy "seemingly paused to

catch its breath" last month. However, the fifth consecutive monthly increase in new orders indicated "moderate growth" in the final quarter of this year.

Yesterday's figures and FOMC meeting follow high level discussions between Mr Alan Greenspan, Fed chairman, and the White House. Administration economists are urging new measures to alleviate the alleged "credit crunch" - artificial restrictions on the supply of credit due to the weakness of the banking system - which is seen as inhibiting economic recovery.

One option being considered is to relax bank capital require-

ments slightly to stimulate fresh lending.

Economists are split over the importance of credit restrictions. The Shadow Open Market Committee, a group of monetarist economists formed to second-guess official monetary policy, says the economy is on track for 2.3 per cent growth and does not require additional stimulus.

Prof Allan Meltzer, the group's leader, says the credit crunch is a "red herring". Bankers are applying tighter lending standards in weak sectors. But weak credit growth generally reflects weak demand, normal at this stage of the business cycle.



Haitians in New York protest over Aristide's detention on Monday night

Haitian army expels president

By Canute James

PRESIDENT Jean-Bertrand Aristide, who was installed in February following the country's first election in 34 years, was expelled from Haiti yesterday, after the army took control of the Caribbean state.

Mr Aristide flew with his family to Venezuela on an aircraft provided by Mr Carlos Andrés Pérez, the Venezuelan president. He could fly on to either France or the US.

The new junta is led by Gen Raul Cedras, who was appointed armed forces chief

earlier this year. Diplomats concluded yesterday that he would have difficulty running the country and maintaining law and order. They forecast confrontation between the army and the president's supporters.

Several people were shot when news of the president's expulsion was greeted with street protests. In Port-au-Prince, the capital, 28 people have been reported dead and more than 100 injured.

Diplomats from France, the

US and Venezuela negotiated for Mr Aristide's release after the president was captured by the army at the presidential palace on Monday night.

Mr Aristide took office after 29 years of dictatorship and military rule. A former priest with radical views on economics and politics, he negotiated more than \$300m (£172m) in economic support from several countries, including the US and France. The US has suspended aid, and other countries are likely to follow.

Gates accused of exaggerating threat from Soviets

MR Robert Gates, whose confirmation as the next CIA director seemed assured, was accused yesterday of regularly distorting intelligence on the Soviet Union to support President Ronald Reagan, writes Lionel Barber, US Editor, in Washington.

Mr Melvin Goodman, a former CIA analyst who retired in 1990, said Mr Gates had twisted intelligence to implicate the KGB in the attempted assassination of the Pope, and to exaggerate the Soviet threat in the 1980s.

In testimony to the Senate intelligence committee, Mr Goodman also accused Mr Gates of being party to the slanting of intelligence on Iran so that Mr Reagan was encouraged to believe a moderate faction in Tehran wanted to expand contacts with the US.

Mr Goodman said this false assessment led to the trading of arms for hostages - known as the Iran-Contra scandal. He asked: "Was the president himself a victim of CIA misinformation or disinformation?"

Although present and former CIA

officials are expected to defend Mr Gates' integrity, bolstering endorsements by the intelligence community, the weight of Mr Goodman's testimony will be hard to ignore. It has already overshadowed what many thought would be the focus of the confirmation hearings: what Mr Gates knew or did not know about Iran-Contra.

In his testimony, Mr Goodman blamed much of the intelligence distortion on Mr William Casey, who was CIA director between 1980-87.

"Casey seized on every opportunity to

exaggerate the Soviet threat," said Mr Goodman. "Gates' role was to corrupt the process and ethics of intelligence in all of these issues. He was Casey's filter."

The committee has already released an internal CIA memo showing that Mr Gates advocated a bombing campaign against Nicaragua, then a Soviet client state. He also gave a speech supporting Mr Reagan's Star Wars anti-missile system by drawing attention to Soviet efforts, even though the CIA analysis was hasty and incomplete.

Brazil capitalises on a change in investor mood

Sell-off débâcle has not hit inflow of funds, writes Christina Lamb

FOR many, the recent débâcle surrounding the suspension of Brazil's first privatisation was just another reason not to invest in Latin America's largest economy. Yet according to Mr Francisco Gros, governor of the central bank, Brazil is expected to obtain \$10bn (£5.7bn) in foreign capital by year's end, having already raised \$6.8bn.

Lending to Brazilian companies at high interest or investment in the under-valued stock market represents for many investors an opportunity to make a quick buck. This is despite the fact that Brazil has yet to reach an agreement on its foreign debt and its government predicts two more years of recession.

The change in investor mood follows the signing of an accord with creditors on interest rates and a change in the government's economic team, to one with a more international outlook.

Having seen the turnaround in Mexico, Venezuela and Chile, investors now fear being left out of, potentially, the next Latin American success story.

However, the money coming into Brazil is still mostly in short-term funds, which will remain for only two or three years. Mr Gros admits only 15 per cent, or \$390m, of funding raised so far is new direct investment in the form of risk capital, although even that is 250 per cent above the figure for the same period last year.

Mr Arminio Fraga, international director of the central bank, says a large part of the inflow is in floating-rate notes and export securitised bonds. He points out that these have raised little more than the \$1.3bn paid out by private companies in amortisation and interest since they were freed to pay their foreign debt earlier this year. "We realised if money is to come into Brazil it must also be allowed to leave," he explains.

That was not the only radical change in central bank thinking. "In June we decided to face reality and allow Brazilian companies to borrow at market rates, which has resulted in substantial inflows of foreign capital," Mr Fraga says.

The biggest inflow has come through commercial paper issues which he says will raise \$2.5bn this year, against \$824m last year. The last two months have seen successful issues by four state companies.

Petrobras, the state oil company, went first with a Euro-bond issue in July to raise funds for a massive investment programme. The planned \$100m issue aroused such interest that it turned into a \$250m deal managed by Chase Investment Bank of bonds with

THE dollar strengthened against the cruzeiro yesterday in response to Monday's 17 per cent devaluation of the Brazilian currency. By mid-day the black market dollar rate had risen 4 per cent, writes Victoria Griffith in São Paulo.

Mr Kleber Beltrão, a central bank official, said the decision to devalue was intended to improve Brazil's balance of payments. Other sources within the bank, however, said the devaluation had been accidental, a result of Brazil being forced to replenish its foreign currency reserves.

a two-year maturity and a yield of 13.5 per cent.

Petrobras returned to the Eurobond market last month with a further \$200m launch, this time with better terms and yield rates, issuing five-year bonds paying 12.25 per cent. The company now plans to raise a total of \$1bn in Eurobonds this year and \$1.4bn next.

The National Development Bank (BNDES) followed suit, issuing \$50m in five-year bonds paying 11.88 per cent. It is planning a further \$150m issue.

Two weeks ago Companhia Vale do Rio Doce, the state mining group, raised \$200m with the issue of three-year bonds paying 11.75 per cent. Last week Telebras, the state telecommunications company, went to the market with a \$200m five-year bond issue.

Brazil's stock market introduced new rules in May allowing direct foreign investment. Traders estimate \$3m a day in foreign money is now entering the market.

So far the returns have been good, with Brazil's stock market transformed from the world's worst performing emerging market last year to one of the best this year.

The central bank is hoping to attract further investment by changing laws regulating foreign capital. Mr Gros wants to abolish the surtax of 40-60 per cent charged on remittances exceeding 12 per cent of assets, and have instead a single 25 per cent tax on all remittances.

But since last month's suspension of Brazil's first privatisation, many potential investors have woken up to factors such as the overvaluation of the cruzeiro and monthly inflation figures of about 17 per cent.

Mr Fraga thinks this is a temporary setback and that most investors still see Brazil as a "good long-term contrarian bet".

See World Stock Markets

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INTERNATIONAL NEWS

Outburst hurts Kaifu's chances of staying on

By Stefan Wagstyl in Tokyo

MR Toshiki Kaifu, the Japanese prime minister whose term in office expires this month, has damaged his re-election prospects in a bizarre row with officials of the ruling Liberal Democratic Party over political reform.

The dispute could complicate the run-up to elections to choose a new prime minister at the end of the month. Mr Kaifu still has the support of the LDP's largest faction, that led by Mr Noboru Takeshita, a former prime minister. But the prime minister's behaviour this week has emboldened his opponents. An aide to a senior MP said yesterday: "It will be like war."

Mr Kaifu has repeatedly staked his career on securing the passage of political reform bills which were first mooted two years ago in the wake of the Recruit bribery scandal.

However, most MPs assumed that the bills, which were presented to the Diet (parliament) this summer, would never become law, since, among other things, they involve reducing the number of Diet seats, thereby losing some MPs their jobs.

But Mr Kaifu, supported by some reformist zealots, did not share the general view that the

bills should be allowed to fail. So, when officials from the LDP and opposition parties decided on Monday night to axe the bills, Mr Kaifu exploded in anger. The prime minister hinted that he might dissolve his cabinet and the Diet and call a general election.

By yesterday morning, the prime minister had calmed down and told his cabinet that all he wanted was to keep political reform on the agenda. LDP officials indicated that an inter-party committee might be established to further debate political reform.

Nevertheless, the row has embarrassed the LDP by highlighting the gap between a minority of MPs who genuinely support and the majority for whom the commitment is mostly rhetorical.

MPs were surprised by Mr Kaifu's outburst. Throughout his two-year term, the prime minister has obediently carried out the wishes of Mr Takeshita. One political commentator said the outright rejection of the bills was the last straw for Mr Kaifu. "Although he is the robot prime minister, he lost face and he reacted."

The main question now is whether Mr Kaifu has angered



Cares of office: Mr Kaifu in parliament yesterday

so many senior LDP members that he can no longer be considered a candidate for the leadership in the forthcoming contest.

Mr Takeshita's preference was until this week to promote Mr Kaifu's prospects and resist challenges from other faction leaders. But Mr Kaifu's outburst has given fresh ammunition to his opponents who claim that a great power like Japan cannot be run by a puppet prime minister. Mr Takeshita may still ignore their views but the next few weeks will be even rougher for Mr Kaifu, his candidate, that he expected.

Iraq ready to rebuild N-weapons capacity

Bronwen Maddox talks to the UN team which discovered skilled designs of nuclear arms

IRAQ could easily rebuild its nuclear weapons programme within five years or less. It is just waiting for the international community to get bored and stop watching.

That is the opinion of Mr David Kay, head of the UN nuclear inspection team now sifting through 25,000 pages of documents in Arabic and 700 rolls of film seized in a nine-day mission to Iraq.

After 10 years and an estimated \$100m of research, Iraq was about 18 months away from having a nuclear weapon, the team has concluded.

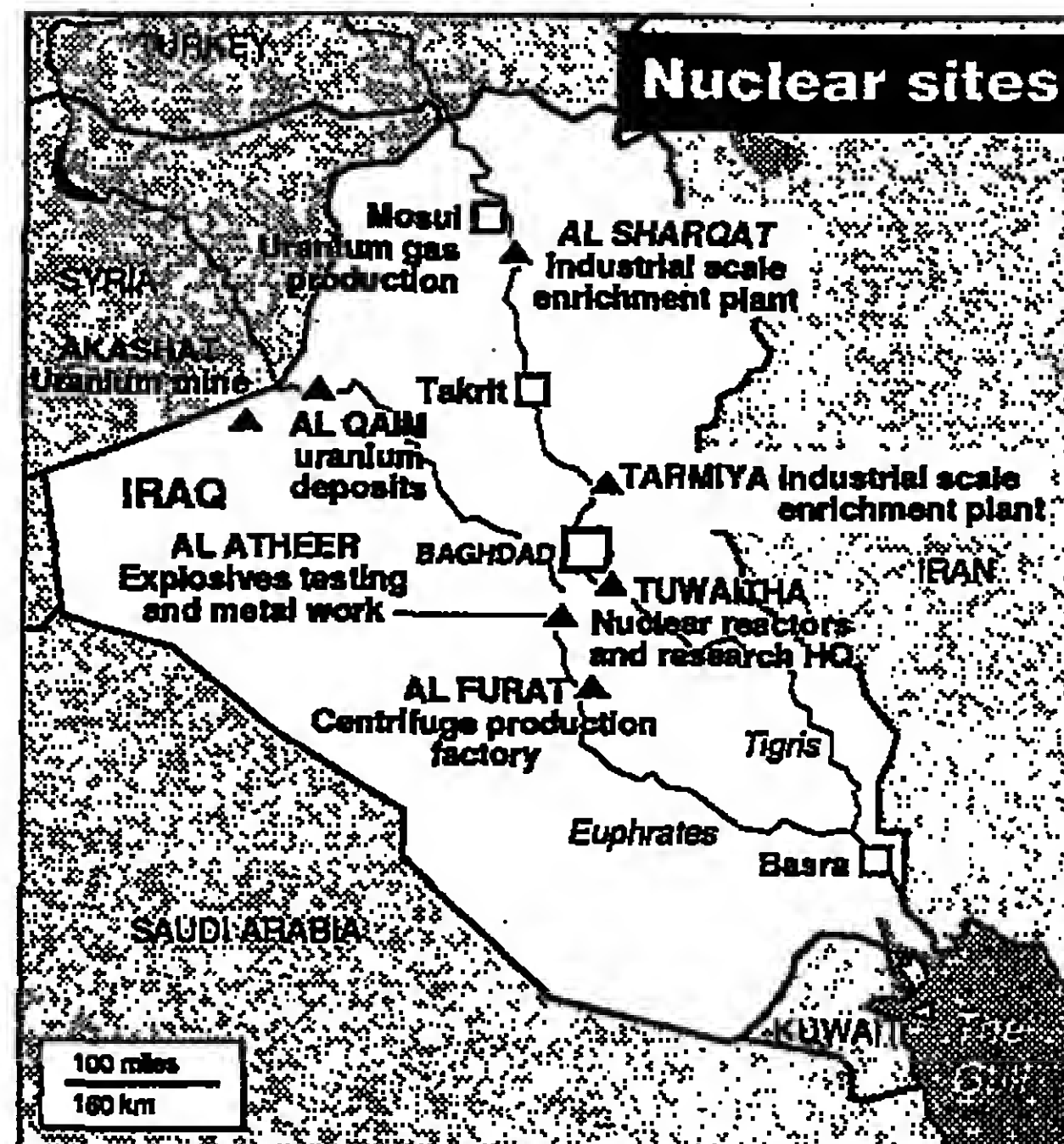
The biggest revelation from the papers seized last week in Baghdad and now being studied in Bahrain is Iraq's skill in nuclear weapons design.

Iraqi research centres had drawn up advanced plans for detectors, including the distinctive shaped charges needed for a spherical "implosion" bomb such as the one dropped by the US on Nagasaki in 1945.

The engineering of a spherical bomb is more complex than other types, but it would need only about half the amount of enriched uranium, between 10kg and 15kg.

Iraq had tested the explosives and other components at sites such as al-Atheer, south of Baghdad. Iraq also had some neutron initiators, the triggers for a nuclear chain reaction.

Documents seized by the UN suggest that Iraq was exploring both aircraft and missile-delivered weapons. The findings have enabled the UN to con-



clude that if Iraq had secured enough enriched uranium for a bomb, construction of the weapons would have provided no obstacle.

Even if all existing facilities were destroyed, Mr Kay believes, they could be rebuilt within a third of the original time if Iraq was not closely monitored.

"Of course we can chop up the equipment, and we'll do so. The research centre at

equipment might not pose a problem in the future. Iraq has drawn on a network of hundreds of foreign suppliers over the past decade (although only about 10 played a central role) but it frequently ordered only a few examples to serve as a model for its own production. "They would pull them to bits, and then develop local manufacturing capacity," says Mr Kay.

The Iraqis also ordered similar items from different companies. "It was not a programme that made choices," he said. "If they wanted something, they ordered 10, from different companies - everything was parallel sourced."

"The Iraqis really played the processing game - they knew the rules, and how to order amounts that were just below the trigger thresholds," says Mr Kay.

To keep Iraq free of nuclear weapons, he says, there is no solution but continued investigation. "We have by no means got to the bottom of their programme - it is my personal opinion that they are still concealing the most sophisticated stuff, like the centrifuges for uranium enrichment."

Last week's raid by the inspection team in Baghdad left some questions unanswered. The "major missing piece" for the UN is how much enriched uranium Iraq had produced. "I believe that they had a cascade of centrifuges operating to enrich uranium but that they dismantled it and

moved it," he says. "They have chosen to show us only the electromagnetic enrichment facilities because they are old-fashioned and hard to relocate."

The team was fighting Iraqi obstruction to the end. In their last hour in Baghdad, it found a note reading, "when David Kay leaves, move this equipment to another site."

Mr Kay said: "We are playing cat and mouse with the Iraqis, although last week in the car park (when the Iraqis detained the team for five days) we ended up being the mouse. But we have to convince them it is a futile game. They are banking on the international community getting bored, but the UN team will keep finding enough to maintain that interest."

To prevent another country progressing as far as Iraq with a clandestine programme, "there is now real urgency in looking at equipment supply," he says.

Earlier in the week Mr Mike Makpenti, chairman of the Zangger Committee which supervises international trade in some sensitive nuclear-related items said: "There is urgency and there is urgency - we may look at the question of tighter trigger thresholds next year."

Mr Kay rejects such an apparently leisurely approach, saying that the "export regime simply has to be tightened. IAEA inspection alone is not enough."

China sees itself as island of tranquillity in world of chaos

IN A secret speech proclaiming the strength of Chinese communism, China's foreign minister, Qian Qichen, has portrayed his country as an island of tranquillity in a sea of international chaos, Reuters reports from Beijing.

"Only China is stable. The whole world is in a mess," Qian told senior Communist party leaders in a two-hour speech two weeks ago, Chinese sources who heard a recording said on yesterday. His address gave a rare insight into the thinking of Beijing's leadership on recent turbulent changes in the Soviet Union and the consequences for China.

"Some western countries have seen the Soviet Communist party collapse. They think China will be next," Qian said.

"It's the last bastion," China should have tried to prop up socialism in the Soviet Union, its Communist elder brother, but the situation was too far gone, Qian said.

"In practice, there is nothing we can do... We've been criticising them [the Soviet com-

munist] for years and years... but it didn't have any effect. The line they carried out was wrong. Europe is relatively stable, but even they're in a mess," he said.

"There's a civil war in Yugoslavia, the Soviet Union is collapsing, eastern Europe is all screwed up and the European Community is extremely busy from morning till night, acting like a bunch of firemen. But they can't put out this fire."

His speech was one of the first indications of China's view of the enormous changes in the Soviet Union. The official media have been confined to statements that the collapse of communism cannot happen in China.

The speech showed Chinese leaders harbour deep suspicion of the reformist Russian president, Mr Boris Yeltsin, who withstood the coup attempt by hardline communists in August. Qian, a Russian speaker who spent 10 years as an envoy to Moscow, warned the rise of Yeltsin spelled trouble for China, which shares a

disputed 7,000km border with the Soviet Union. Mr Yeltsin, whom Qian dubbed a nationalist, could usher in a revival of what he called Great Russian chauvinism.

"If [Mr Yeltsin] goes on like this, it could easily turn into tsarist Russia again," Qian said. Russia's tsars expanded their empire in the Far East and Central Asia in the 19th century when China's imperial dynasty was weak. The former communist allies fought a brief border war in the 1960s, but in recent years have held talks to settle the issue.

Mr Yeltsin was now the real power in the Soviet Union, Qian said, describing the Soviet president, Mr Mikhail Gorbachev, as a has-been.

"Yeltsin is solid and Gorbachev hollow. Yeltsin is strong and Gorbachev weak," Qian said. For this reason, the west was making a mistake in continuing to work with Mr Gorbachev, he added. "Yeltsin has real power, whereas Gorbachev retains his position in name only," Qian said.

Australian deficit falls to A\$925m

By Kevin Brown in Sydney

AUSTRALIA'S current account deficit fell by 39 per cent to A\$925m (\$740m) in August, cutting the annualised deficit to about 60 per cent of last year's record A\$2.2bn. In seasonally adjusted terms, the monthly deficit fell by 47 per cent to A\$575m - the lowest since January 1988.

The improvement was caused mainly by an increase of A\$633m in the merchandise trade surplus to a record A\$850m. The increase reflected a 12 per cent fall in imports and a 1 per cent increase in exports.

Mr John Kerin, the treasurer (finance minister), said the figures showed Australians were "getting close to living within our means". He said improved competitiveness would prevent a resurgence of imports when the economy recovers.

Economists said the fall in imports reflected a slowdown in the economy caused by the government's tight monetary policy, which has kept real interest rates above average levels in the Organisation for Economic Co-operation and Development (OECD).

The robust performance of exports was a surprise because of the strength of the Australian dollar, which traded at an average of 78.34 US cents during the month, compared with 77.11 cents in July.

The dollar has since risen to about 80 US cents, further increasing the US dollar value of Australian goods and worsening the outlook for exports. The trade weighted index stands at 60.6 compared with 59.2 a year ago.

The value of exports is also likely to be hit in coming months by weakening global prices for agricultural and mineral commodities.



Jonas Savimbi, leader of the National Union for the total Independence of Angola, acknowledges cheers of his supporters at a rally yesterday to celebrate his return to Luanda, the capital, after a 16-year civil war which ended in a ceasefire earlier this year

Pakistan's sell-off plan sparks 400 inquiries

By William Dullforce in Geneva

PAKISTAN has sold more than 400 prospectuses to investors interested in the public companies it has put up for sale, Mr Sartaj Aziz, the finance minister, said here yesterday.

Separately, the minister said that a US company, which has not named, was conducting a study into the feasibility of building a coastal steel plant with an output of 1.5m tons a year near the new port of Gwadar.

Mr Aziz, accompanied by 12 Pakistani industrialists, was in

Geneva to explain his government's programme of economic reform and privatisation to 28 leading European businessmen at a two-day seminar organised by the World Economic Forum.

The government's objective was to open to private investment a broad swathe of operations in telecommunications, power, roads, airlines, shipping and ports, he said.

Pakistan has invited bids for 115 public sector enterprises, including producers of cement, textiles, fertiliser and cars,

with annual turnovers ranging from \$100,000 to \$200m (\$115m). The sale of 400 prospectuses at \$200 each indicated that interest in the companies was strong, Mr Aziz said.

Twelve of the inquiries had come from Japan, Saudi Arabia and other Arab states.

October 10 is the deadline for bids which would be opened and recorded publicly, the minister said. One company manufacturing synthetic fibres had attracted 20 inquiries. The government would consider mak-

ing public share offers for companies for which investors' bids were assessed to be too low, Mr Aziz said.

The credibility of the government's economic reforms had been reinforced by an agreement last week in Islamabad with officials from the International Monetary Fund removing obstacles to the release of a \$140m loan under the fund's structural adjustment facility. The agreement also opened the way for the World Bank to advance \$350m in loans.

Governor-general resigns in PNG

A constitutional crisis in Papua New Guinea (PNG) was defused yesterday when Sir Serei Eri, the governor-general, resigned after a meeting with Mr Rabble Namaliu, the prime minister, writes Kevin Brown.

Sir Serei's resignation was later accepted by the cabinet, ending a stand-off in which the governor-general had defied the government and courts. The crisis began when Sir Serei refused to remove from parliament Mr Ted Diro, deputy prime minister, found guilty on 81 counts of corruption and misbehaviour relating to the forest industry.

Togo soldiers retake radio station in coup attempt

RENEGADE soldiers retook control of Togo's national radio station yesterday after an earlier failed coup in which six to eight people were reported killed, witnesses said, Reuters reports from Lomé.

Earlier in the day Mr Kokou Koffigoh, Togo's prime minister, appealed for calm in the small West African state and said the soldiers who had seized the radio had returned to the barracks and order had been restored.

The soldiers had earlier broadcast a message saying they had dissolved the High

Council of the Republic, a civilian transitional government formed at a pro-democracy conference in August.

A diplomat who heard the earlier broadcast said they voiced complaints against the civilian administration and went on to list specific pay demands. He said it was too soon to say how many soldiers were involved.

The soldiers had said they rejected reforms decided at the August conference, which was conceded after riots and street protests this year in which more than 20 people died.

Zaire continues slide to anarchy and turmoil

President Mobutu is the main obstacle to democratic change, writes Julian Ozanne

SHROUDED in all the symbols of absolutist authority, President Mobutu Sese Seko of Zaire seems unaware that his country is on the brink of chaos.

The events of last week - a mutiny in the army over pay, rioting and looting throughout the country, the intervention of French and Belgian troops to restore a veneer of law and order and evacuate their nationals - have reignited the deep sources of discontent which have spilled over into violence and rebellion throughout Zaire's 31 years of independence.

Two choices face the president: a radical overhaul of the entire system of government, which would almost certainly spell the end of his monarchial rule, or a continued drift into turmoil and the disintegration of the nation.

But, rather than a sense of urgency, all that is emerging is a political stalemate between the president and Mr Etienne Tshisekedi, the opponent he has chosen to form a crisis government, over exactly how much power the new administration will yield over the army and executive and to whom it will be accountable.

Such political wrangling leaves the twin causes of the present crisis unresolved. These

are the profound economic catastrophe which has forced many Zaireans, including soldiers, into desperate poverty and the failure to move towards a genuine participatory democracy.

Zaire's banks remain closed; money, food and medicines are in short supply. Prices of staple foods, like cassava and rice, are rocketing. Thousands of people, already on the poverty line, have been left unemployed, turning up for work at looted and gutted factories to find their expatriate bosses have fled the country.

Mr Mobutu, who holds the key to any transition in Zaire, still refuses to articulate a commitment to a new political and economic order. "It is impossible for him to manage political change. He is, and always will be, a traditional African dictator," says Professor Kabuya Lumuna, head of the politics department at the University of Kinshasa. "For the good of the country he should be ensuring stability of the state and thinking about the best way to finish his epoch. Instead he is trying to maintain the status quo, and that spells disaster."

With the military, material and moral support of France, Belgium and the US, Mr Mobutu has defied withstood recur-

rent crises and rebellions and is widely credited as having held together a country four times the size of France with a population of some 35m people composed of more than 200 different tribes.

But the deepening economic crisis of hyper-inflation, growing urban poverty, and the virtual collapse of the country's infrastructure and state-owned companies make this crisis unlike any other.

For the first time, it is the people of the capital and the army, traditionally Mr Mobutu's power base and one of the only national institutions, which led the violent eruption last week. "Mr Mobutu has always justified his rule by saying 'After me the deluge'," says Mr Tshisekedi. "But the deluge is already here."

Furthermore, Washington, Brussels and Paris no longer view "the Marshal" as vital to the stability of the country or as a necessary bulwark against the spread of communist influence in the region.

Instead they now fear that under Mr Mobutu, Zaire may be heading for disintegration, a collapse of its mineral-rich economy and the inevitable spillover of instability into its nine neighbouring states.

Of particular concern is the resurgence of ethnic and



Mobutu: key to change

regional-based rebellions in Upper Zaire, Kasai, Kivu and the southern copper and cobalt province of Shaba (formerly Katanga). Twice, the people from the Lunda tribe in Shaba have rebelled violently, and temporarily succeeded from Zaire. Both times the rebellions had to be quashed with the assistance of foreign troops.

Many of the political and economic reasons for rebellion against rule by central government had diminished in the last decade. Mr Mobutu has skillfully co-opted leaders from the different tribes and provinces. At a cost of \$1.3bn, he also built a power line from

Matadi to the copper belt, ensuring that Shaba province would depend on a unified state for its power needs.

Now, however, it seems that only with Mr Mobutu out of the country can stability be guaranteed. But even if he is beginning to think of an "honourable" exit, there is the problem about to whom he would feel able and willing to hand over power. A military figure would be unable to win either internal or external support. There are serious question marks about the credibility and support enjoyed by the men of the opposition, most of whom have served in the corrupt and oppressive upper echelons of his governments.

Perhaps the only hope for the country rests in a genuinely legitimate and democratic National Conference throwing up a new political leadership from Zaire's frustrated younger generation. But neither the opposition nor the president wants that to happen.

The presence of French and Belgian paratroopers continues to ensure a fragile calm in the country, but this must be temporary. Without a credible crisis government taking full authority, optimism about peace in Zaire is an ever-waning commodity.

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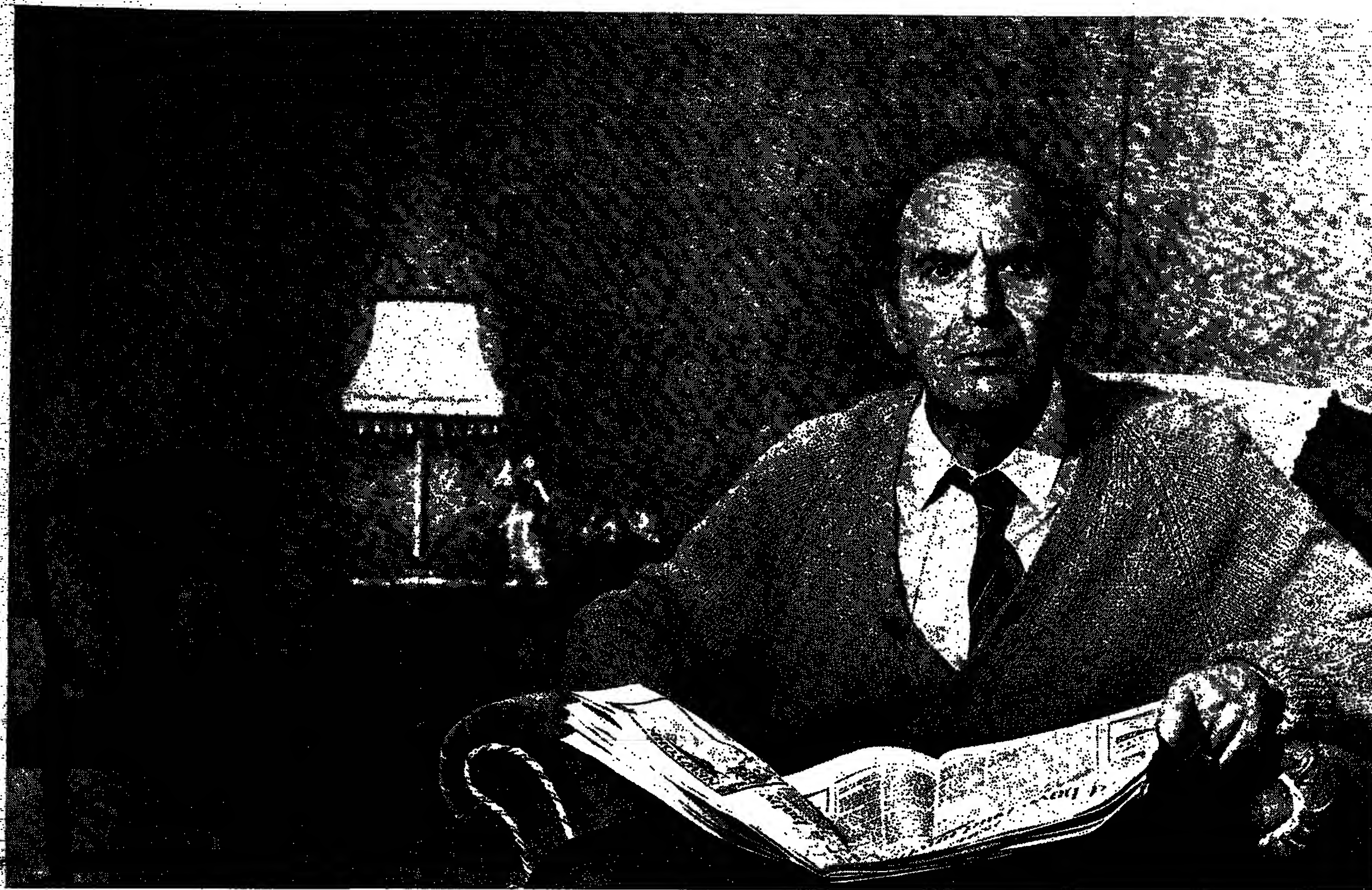
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WORLD TRADE NEWS

Britain set to back £700m credits for exports to Kuwait

By Victor Mallet, Middle East Correspondent, in London and Emiko Terazono in Tokyo

BRITAIN is expected to provide an estimated £700m of credit guarantees for exports to Kuwait under an outline agreement to be signed shortly with the Kuwaiti government. The proposed British cover for Kuwait, to be managed by the Export Credits Guarantee Department, follows similar deals between Kuwait and the US, Canada, and the Netherlands. Other exporters in the EC are likely to follow suit, and yesterday Japan resumed official insurance for exports to Kuwait.

US and British companies have been prominent in the \$20bn (£11.4bn) effort to rebuild Kuwait since the allies

drove Iraqi forces out of Kuwait in February. British companies are already said to have won some \$500m of contracts, which should be more than covered by the forthcoming credit lines. The ECGD will guarantee credits from banks and exporters.

In many cases, Kuwait has been paying in cash, but the damage to the country's oil wells and the slow pace of talks on international loans may make export credits vital for the smooth running of trade and projects in Kuwait. Various export credit agencies have had problems grappling with the Kuwaiti bureaucracy following the liberation of the

country, partly because the hitherto wealthy Kuwaiti administration is accustomed to lending and investing but unfamiliar with the practicalities of borrowing.

Among the countries providing facilities for Kuwait are Japan, whose Ministry of International Trade and Industry (MITI) resumed insurance on exports to Kuwait yesterday. Cover had been suspended since August 1990.

Exports under Y3bn (£12.9m) are to be insured if accompanied by a letter of credit. MITI expects exports to rise to the same levels as before the Gulf conflict. Japanese companies, however, are

EC foreign ministers yesterday authorised the EC Commission to negotiate a more liberal regime for imports from Gulf states of petrochemical and other products, Community sources said, Reuters reports.

still wary. Mitsui trading house said that although it had started sending sundry goods to Kuwait, exports of products such as heavy machinery had not resumed.

The US, where Eximbank signed a framework agreement with the Kuwait Investment Authority last month for up to \$2bn of financing. Eximbank

from Brussels. The ministers approved a plan to cut the list of sensitive products involving the stiffest import curbs and to speed the dismantling of trade barriers affecting the six Gulf Co-operation Council states.

said its support would be mainly in the form of guarantees of credit facilities from private lenders to Kuwait. Transactions under such facilities could be "bundled" and placed in capital markets, Eximbank said. The idea is to streamline the application system by establishing a central point in Kuwait for submitting

requests for financing, thereby eliminating the need for individual US exporters or Kuwaiti government departments to make separate applications to Eximbank.

Canada, which signed a memorandum of understanding with Kuwait last week for a \$500m credit line to be provided by the Export Development Corporation. Canadian companies have won contracts worth C\$160m (£20.8m) in the past six months. The Netherlands, whose ABN-AMRO Bank is trying to arrange a \$600m facility insured by NCM, the Dutch credit insurer. This was agreed in outline in June.

US dissatisfied with Seoul's slow financial reform

By John Ridding in Seoul

THE US is dissatisfied with South Korea's slow pace of financial reform, a senior US treasury official said yesterday. "Korea clearly lags behind the international consensus with respect to the liberalisation of financial services," said Mr Olin Wethington, the treasury department's assistant secretary for international affairs. After the third round of bilateral financial policy talks, held in Seoul, Mr Wethington said. "I am leaving with a feeling that Korea doesn't know where it is going on liberalisation."

South Korea has recently announced a number of proposals for liberalising interest rates and the foreign exchange market, and is to allow limited direct foreign investment in the stock market from the start of next year. But trading partners have complained the measures are limited in scope and will be only gradually implemented.

Mr Wethington described the opening of the stock market as an important step, but said that generally, there had been "little forward motion." "I don't believe that the Korean body politic yet appreciates the benefits of liberalisation," he said, citing the restrictions on interest rates and foreign exchange

flows and the funding difficulties of foreign banks as outstanding problems.

South Korean officials rejected the criticism. "They did not really look into our proposals," said one official in the international division of the ministry of finance. "You have to remember that the US and Japan both took more than 10 years to liberalise interest rates. We are planning to do it in less than that."

With respect to the problems of local currency funding faced by foreign banks in Seoul, the Korean official said it was not in the government's jurisdiction. "It is the call market that is discriminating, not us," he explained, adding that there is a similar interest rate gap between local and foreign institutions in Japan.

During the talks, the South Korean delegation said they would increase the ability of foreign banks to raise funds through the issue of certificates of deposit. According to the ministry of finance, foreign banks will from this month be allowed to issue certificates of deposit worth 200 per cent of capital, up from the current level of 175 per cent. But the Korean delegation resisted US calls to expand its system of deferred payments for imports.

Foreign cars flow into Brazil to meet a surging demand

ANTONIO da Silva is proud of his new Lada taxi. "It's imported from Russia," he tells his passengers, Victoria Griffith writes from São Paulo. Since the ban on foreign car imports ended last year, cars have been flowing into Brazil from all over the world.

Some 25,000 foreign cars have entered this year. An imported BMW used to turn heads in São Paulo. Now, such cars are common outside the city's clubs and restaurants. The number of car imports is still small compared to the

750,000 vehicles the domestic car industry puts out every year. But sales are remarkable, considering Brazil levies a 60 per cent import tax on all foreign cars. A series of other taxes, including those on shipping and insurance, raises the cost to the Brazilian consumer to 34-44 times the price in other markets.

Volvo's top model, the 960, goes for \$126,000 (\$73,500), four times its retail price in the US. But the company says it has sold 30 of the 960 models in the past few months. Prices here

seem outrageously high by foreign standards, but imported cars in Brazil have never been cheaper.

Until last year, the only foreign models allowed into the Brazilian market were those belonging to foreign diplomats or businessmen stationed in Brazil. Two years ago, a Mercedes-Benz 500 SEC fetched \$400,000 here. Some diplomats made large profits importing cars to resell on the Brazilian market.

The success of foreign cars in Brazil is based on more than

just a yen for luxury. Brazilians are frustrated with domestic models for several reasons, including high prices. "Foreign cars use technology superior to that used in Brazilian models," said Mr Luiz Marcello, head of marketing for Volvo, which also makes trucks in Brazil.

A severe shortage of new cars on the home market has boosted imports. Multinationals here blame federal price controls and labour strikes for their inability to fulfil the demand for cars. The Brazilian Car Dealers Association esti-

mates 17,000 showrooms in this country are facing shortages. The shortage has made the Lada the best-selling foreign model in Brazil, with 16,000 sold in the first eight months of this year. "Most of those who purchase this car couldn't find a new model among the domestic makers," says Mr Emilio Julianelli, vice-president of Lada Brazil.

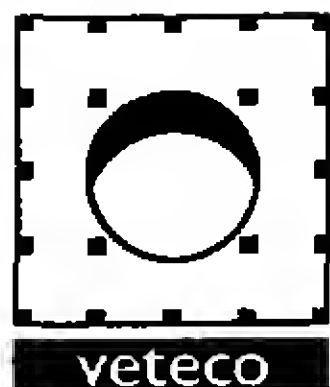
Utility vehicles may also have huge import potential. Even amid a law suit with the Rover group of the UK, Mr Hilton Pereira, who claims to own

the Land Rover trademark here, says he has no trouble selling Range Rovers here. "Brazil was starved of options in the car market for many years. There is really no domestic competition in utility vehicles. In a country where most of the roads are unpaved, there's certainly a lot more market potential."

The government has promised to lower import tax on foreign vehicles from 60 to 50 per cent next year, and importers hope this will further boost foreign car sales.

OCTOBER
M A D R I D

3



VETECO
Window, Ceiling, Curtain Walls and Structural Glass Trade Show

6

INTERBOOK

INTERLOOK
International Hairdressing, Beauty Care, Cosmetics and Perfume Show

7

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EXPOCALZADO
International Footwear Trade Show

14

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IBERPIEL/MARROQUINERIA
Leather/Furs Fashion Fair

14

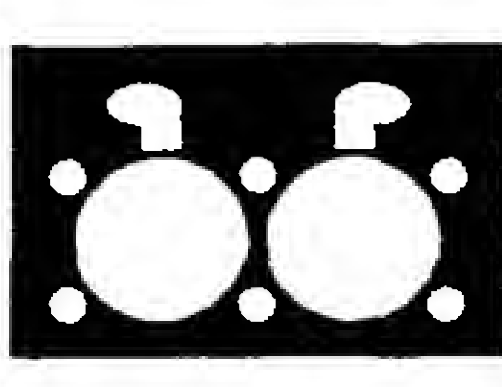
24



FICOP
Construction, Public Works, Mining and Maintenance Machinery Fair

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SALON BIENAL INTERNACIONAL DEL BRICOLAGE
International Biennial Do-it-Yourself Trade Fair

3

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Indian devaluation hits IOL oxygen plant plan

By David Dodwell, World Trade Editor

THE plans of IOL, the Indian associate of the BOC group, to build a 100-tonnes-a-day oxygen plant in Rajasthan have been put in jeopardy by sweeping economic reforms by the Indian government.

Mr Robert MacFarland, chief executive of BOC's overseas division, said the recent rupee devaluation and premiums for foreign currency rights were likely to boost the rupee cost of the plant by about 50 per cent, from Rs335m to at least Rs500m (£11m).

The IOL board will decide in the next few weeks whether to go ahead with the plant, which was intended to supply Hindustan Copper with oxygen at its plant in Khetri, south west of New Delhi. Much will depend on whether IOL can renegotiate the price at which it sells oxygen to Hindustan Copper. The higher construction costs are likely to add 10-20 per cent to the cost of oxygen.

"For the long term, what has

been happening in India since the last election is exactly what we all hoped would happen," said Mr MacFarland. "But in the short term, measures have created a lot of uncertainty. Things are going to be bumpy, and this causes us to think hard about the timing of commitments."

Two devaluations at the beginning of July cut the dollar value of the rupee by almost 19 per cent. The introduction of eximscript, a new instrument giving domestic Indian companies access to foreign exchange purchasing power, albeit at a premium, also contributed significantly to IOL's higher project cost. Capital equipment worth \$5.5m needs to be imported for the plant. At one point the eximscript premium was 50 per cent above the official rupee-dollar exchange rate. It has since fallen to around 30 per cent, still adding about Rs7m to the cost of the plant.

Canada, Singapore joined in air services pact row

CANADA and Singapore have become embroiled in a heated row over Ottawa's decision to revoke a seven-year-old bilateral air services agreement, Bernard Simon reports from Toronto.

In newspaper advertisements yesterday, Singapore Airlines urged air travellers to protest at the Canadian decision, which will end its three weekly flights between Toronto and Singapore next August.

Singapore Airlines has angered the Canadians by drawing a sizeable chunk of transatlantic traffic from Air Canada and Canadian Airlines International since it began its

Toronto-Singapore service last June via Amsterdam and Vienna.

Air Canada withdrew from the Toronto-Singapore route, via London and Bombay, last January after failing to attract sufficient numbers of full-fare business travellers. Singapore Airlines' two weekly west-bound flights from Vancouver will also be threatened if the air services agreement is terminated. Talks broke down in Ottawa last month after the Canadian government refused by Singapore Airlines to drop the stop in Vienna, or to operate a joint service with either of the Canadian carriers.

Monopoly charges threat against wrapping makers

By Emiko Terazono

THE Japanese Fair Trade Commission (FTC) is considering filing criminal charges against eight leading plastic film food wrapping makers. Mitsui Toatsu Chemicals, Mitsubishi Plastics Industries, Shin-Etsu Polymer, Denki Kagaku Kogyo, Nippon Carbide Industries, Riken Vinyl Industry, Borden International and Gunze - for possible violation of the anti-monopoly law.

The move is seen as a response to pressure from the US for tougher anti-monopoly legislation, including actions launched against violators.

Most of the eight companies, which produce roughly 90 per

cent of the annual production of 120,000 tonnes, have previous records of violating the anti-monopoly law. If the FTC decides to take legal action against them, it will be the first since 1974, when all distributors were charged for forming a price cartel.

Mitsui Toatsu Chemicals denied the allegations and said it had raised plastic food wrapping prices in response to the rise in naphtha prices after Iraq's invasion of Kuwait in August 1990. Shin-Etsu Polymer said it had notified clients in May that the company had withdrawn from all industry group-based discussions and decisions.

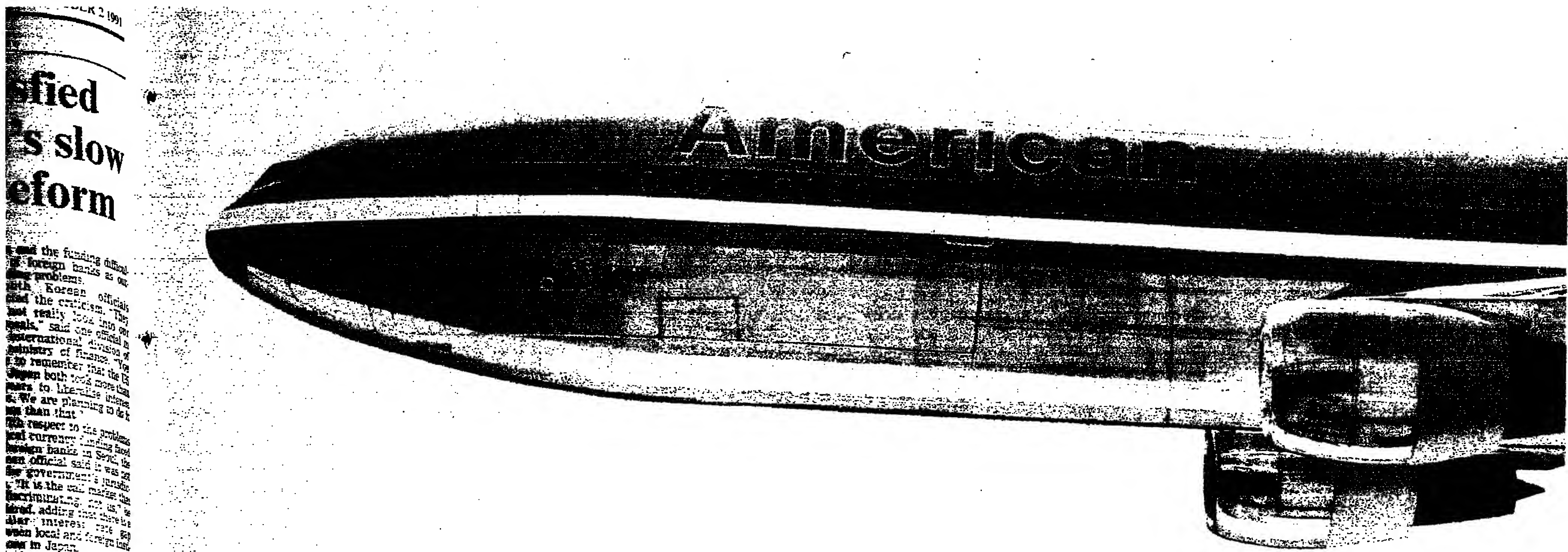
Chalker's aid priorities

THE priority for Britain's aid programme should be to back economic reform and encourage private-sector growth in eastern Europe and the developing world, Mrs Lynda Chalker, Minister for Overseas Development, said yesterday.

She told a seminar at the London-based Institute of Economic Affairs, that aid policy would be aimed at creating an "enabling environment", unshackling the private sector,

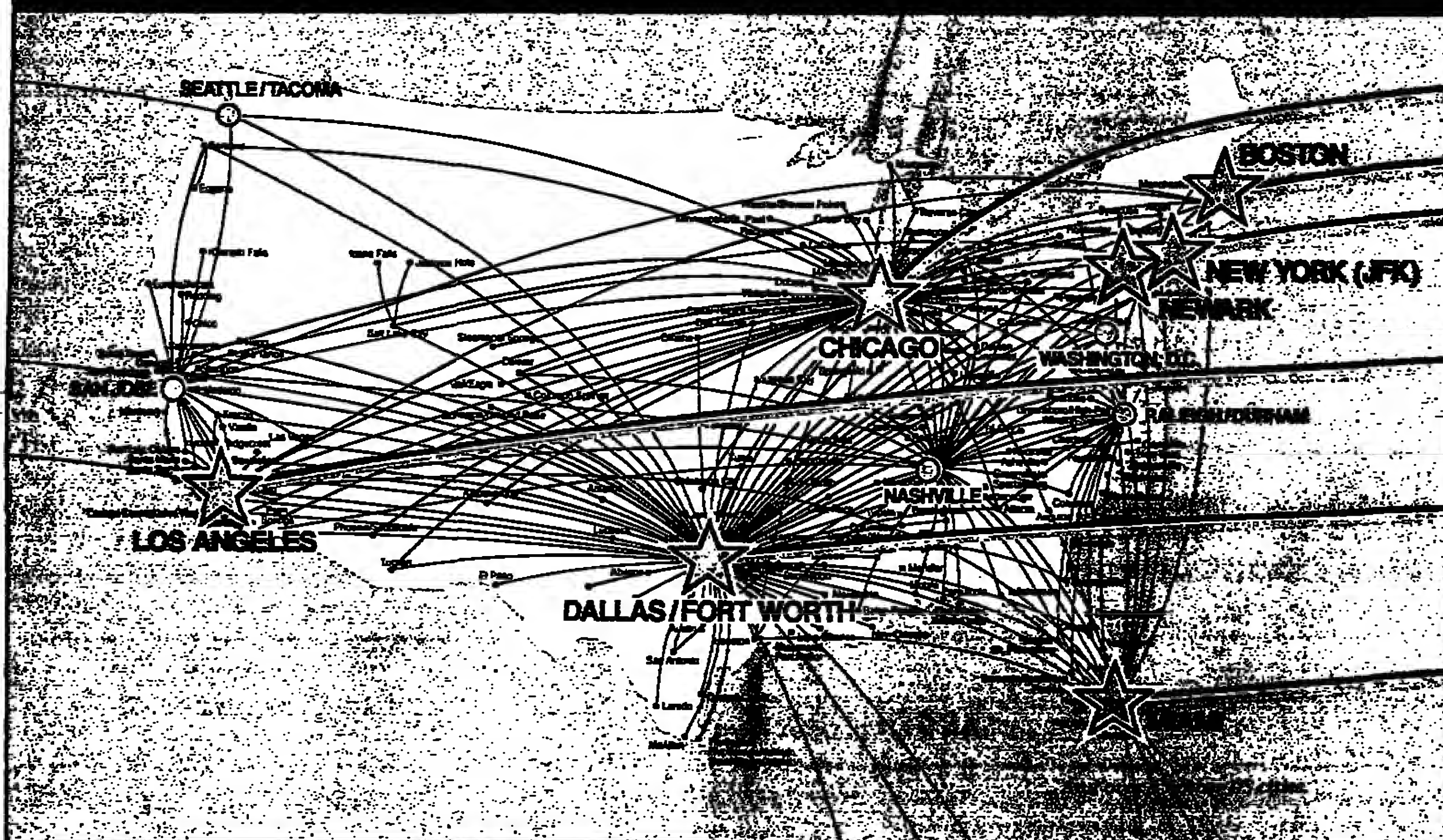
removing trade barriers and unnecessary regulation, and encouraging governments to welcome foreign investment; a "level playing field", opening business to competition, removing monopolies, and banishing favouritism.

The government had a three-pronged approach. This was to provide technical help, boost the role of the Commonwealth Development Corporation and channel aid to small-scale enterprise.



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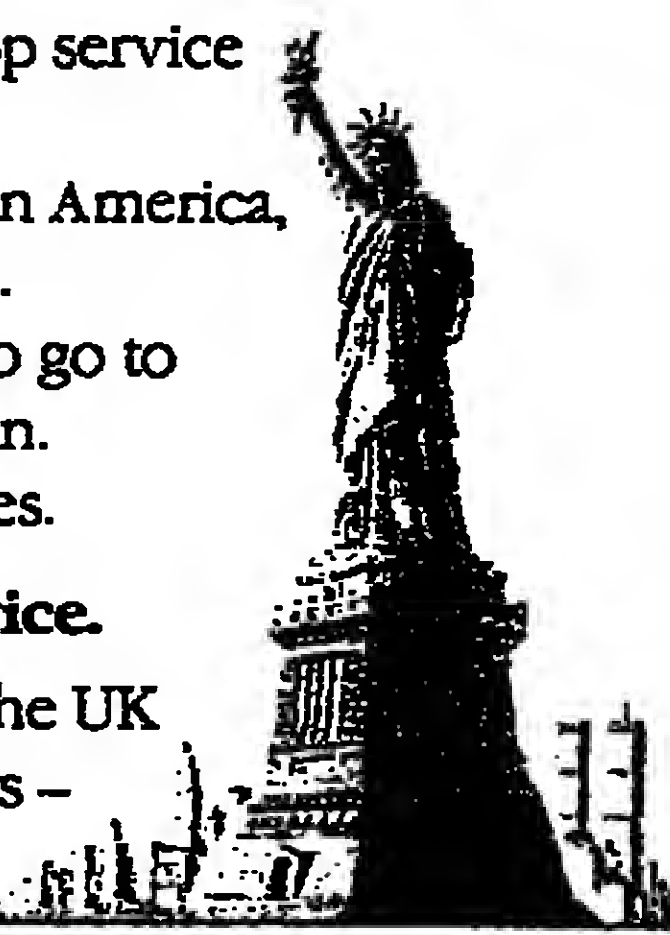
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UK NEWS

BT signals end of new portable telephone system

By Alan Cane

ANOTHER nail was hammered into the coffin of the ill-fated Telepoint portable telephone system yesterday when BT suspended its Phonepoint operations.

The decision surprised telecommunications experts, who had understood that BT, formerly known as British Telecom, was preparing to relaunch the service.

Telepoint offered a portable telephone service which was lighter, cheaper and more reliable than cellular radio, the technology used for most portable telephone operations.

Since its launch in 1989, however, Telepoint has proved a dismal failure. The government expectation was that there would be as many as 13m subscribers by the end of the century. But there are fewer than 10,000 owners of Telepoint telephones in the UK. With the withdrawal of Phonepoint, none of the four operators is currently offering a service.

Telepoint was based on a network of base stations placed in underground stations and other public places. Telepoint telephones could be used to make outgoing telephone calls as long as the caller was

within 100 metres of one of these base stations.

The service was plagued, however, by a combination of a shortage of base stations, too many competitors and poor marketing.

The Phonepoint consortium, comprising BT, France Telecom, Deutsche Bundespost, Telekom, Nynex International and Northern Telecom, said it was suspending the service because of adverse market conditions. There are some 3,300 Phonepoint base stations in the UK but only 800 customers.

Another consortium, Mercury Callpoint, closed its operations in July. Mercury, owned by Cable and Wireless, Motorola and Shaye Communications, blamed excessive competition and the recession for its decision to wind down operations. Ferranti sold its Zonophone business in July.

Byrne, owned by Barclays Bank, Phillips and Shell, was sold earlier this year to Hutchinson Telecommunications, a subsidiary of the Hong Kong based group Hutchinson Whampoa, which is believed to be preparing the system for relaunch.

Share offer, Page 17; Lex, Page 16

Water companies agree to curb price increases

By Richard Evans

MOST WATER companies in England and Wales have agreed to moderate their price increases in the year from next April following pressure from the industry's regulator, but the rises will still be well above the rate of inflation.

Following a series of robust warnings from the regulator, Mr Ian Byatt, director general of the Office of Water Services (Ofwat), about the need for lower price rises given the unexpectedly high level of profits and dividends, eight of the 10 privatised water companies announced yesterday they intended to introduce lower price rises next year.

Anglian Water is still considering whether it should reduce

its increase, and South West Water has applied for an increase in charges because of additional capital expenditure requirements.

Most of the 24 statutory water companies, which supply a quarter of the water in England and Wales, also intend to reduce their planned increases.

In spite of voluntary reductions, which have headed off a damaging confrontation between some of the companies and Ofwat, customers will face stiff increases next year averaging around 4 per cent above the rate of inflation. This should mean rises in bills of around 7 to 8 per cent.

Lex, Page 16

Kinnock looks to Europe's first division

By Ivo Dawney, Political Correspondent

MR NEIL Kinnock, leader of Britain's opposition Labour party, presented himself as the prime minister-in-waiting yesterday as he told his annual conference he would head a government capable of leading Britain to a "better future".

In a powerful speech delivered on the morning after the government ruled out a November election, he sketched out Labour's plans "to put Britain in Europe's first division".

His hour-long address to delegates in Brighton played heavily on the contrast between Labour's pledges to upgrade state health and education services and "a government determined to ram the market system into every corner of national life and public service".

It concluded with an unprecedented five-minute standing ovation from 3,000 rapturous delegates, followed by an impromptu chorus of the protest song "We shall overcome".

Throughout the speech, which was frequently interrupted with prolonged applause, Mr Kinnock stressed that Labour was ready with the policies to turn Britain into a modern economy along a European model.

"People look at the state of our society and they look at our neighbours in the rest of the European Community," he said. "They see the high standards of training, the quality of child care, the investment in

public transport and they ask: 'Why not here?' "And the answer is it can change. We can do it here with a Labour government."

Labour's programme did not come from higher public spending but from sustained economic success along lines practiced by European parties of all political colours. He went on to emphasise the importance of primary schools and of adult training programmes, alongside fiscal incentives to invest in innovation.

"That is the basic difference between ourselves and the Tories. We will actively engage in building the productive strength of our country," he added.

For most delegates the speech hit just the right tone of optimism and change by spelling out Labour's programme while drawing sharp contrasts with the record and policies of the Tory government.

ELECTION STRATEGY

Party sets new targets as phoney war ends

By Ivo Dawney

LABOUR'S election strategists were yesterday greeting the anti-climactic end of the month-long "phoney war" with mixed emotions as they set about adjusting their sights to a long endgame in the battle for Downing street, writes Ivo Dawney.

Nobody doubted that Mr John Major's decision to end the speculation over a November poll represented a tactical victory and tacit confirmation of Tory fears that they could not be sure to win.

Conversely, however, the more cautious could not ignore the parallel conclusion that the Conservatives think they have a better chance next spring.

But the parliamentary pitfalls lying ahead for the Tories

plus the prospect of a harrying guerrilla war of attrition left most conference delegates soberly concluding the delay may be good news.

"We are in the unglamorous business of closing off options," said Mr Bryan Gould, the party's environment spokesman. "The paradox is that by demanding an early election, we have had the success of forcing him to go long and look like a government running into the buffers."

With doubts over November removed, Labour's campaign organisers are now devising a programme of speeches for the leadership, aimed at building on the positive policy messages being skillfully diffused at the conference.

Opening with a ferocious assault on the government's decision to postpone an election until next year, the Labour leader said the Tories were now afraid of the electorate. "You can postpone the people's choice. You will not change the people's verdict," he warned.

"You can run, but you can't hide."

His speech studiously ignored recent criticism of his leadership and made no direct reference to Mr John Major or the Liberal Democrats. He also surprised delegates by pledging that Labour would introduce fixed term parliaments.

Later, in a key passage signalling Labour's strategy for the coming election he claimed that the NHS would be a focal issue. "Those who vote Labour will be voting to build the NHS, those who vote otherwise will be voting to allow the break up of the NHS," he said.

"That will be the choice."

In a concluding section, he emphasised Labour's commitment to constitutional changes through a Freedom of Information Bill, a Bill of Rights, devolution and reform of the House of Lords, hinting that Labour also remained open to debate on electoral reform.

In London, Mr Chris Patten, the Tory party chairman, dismissed Mr Kinnock's speech as "one long and extremely familiar, wish list without a price tag".

Editorial Comment, Page 14



Kinnock: 'We can do it with a Labour government'

EUROPE Policy on integration wins party backing

By Ralph Atkins

LABOUR'S leadership won backing yesterday for an ever more positive stance on European integration - including a single currency - as the party's pro-European wing dominated a brief debate on the European Community.

Mr Glyn Ford, leader of the Labour European parliamentary party, stretched to the limit the party's policy on a economic and monetary union, saying: "We need a single currency to help our exporters, our workers, to produce and sell goods in the rest of Europe."

Economic convergence - which Labour sets as condition for a single currency - would come "by working not waiting," he said.

Mr Gerald Kaufman, shadow foreign secretary, commented beforehand that Labour's concern was with the political accountability of the new European central bank and positive policies for convergence. But there had to be negotiation and "in any negotiations you don't get 100 per cent of what you want," he said.

The conference debate, which foreshadowed a long foreign policy debate tomorrow, did not hear a single anti-European speech, despite the known scepticism of many Labour MPs. It highlighted the conversion the party has undergone in recent years.

Mr George Robertson, European spokesman, told the conference: "Europe, whether you love it or hate it, is where we must negotiate... This is our home, we are Europeans."

The conference passed overwhelmingly a motion supporting the Social Charter, the creation of a democratically accountable European central bank, moves towards economic and monetary union.

There were calls for stronger links with other European socialists. Mr Bill Jordan, of the Amalgamated Engineering Union, said: "The British public are pro-European. They are seeing the widening prosperity gap between Britain and our near neighbours. They understand the potential of Europe."

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ZURICH
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UK NEWS

TV film backs allegations over RUC conspiracy

By Richard Donkin

A FILM documentary to be shown on British television tonight claims to have uncovered new evidence to support allegations that officers in the Royal Ulster Constabulary (RUC) are conspiring with the security forces and senior Protestant businessmen to plan murders of republican sympathisers in Northern Ireland.

Channel 4's Dispatches programme, challenges the findings of the independent police inquiry into the RUC carried out two years ago by Mr John Stevens, then deputy chief constable of Cambridgeshire, which concluded that only a small number of policemen and soldiers were colluding in paramilitary killings.

Allegations that collusion is far more widespread and organised are likely to fuel nationalist protests against the RUC after the weekend killing by police of a teenage boy.

The documentary includes an interview with an unidentified individual who claims to be a member of a central co-ordinating committee of loyalists which liaises with a so-called inner force of RUC officers. It is claimed the inner force has

access to police and security files, and has helped plan a number of killings by Protestant paramilitary groups.

The RUC said yesterday Mr Stevens' investigation had found no evidence of an inner circle of officers.

The Dispatches team says the Stevens investigation - which discovered that personal details of almost 1,000 Republican suspects had been leaked from police documents and security files - was put off the scent by loyalists who kept track of its movements.

The documentary outlines four murders which the informant says were co-ordinated by the committee.

Three of the killings involved known republican sympathisers, but one was a hit for the murder of a Roman Catholic with no known political or terrorist affiliations.

Four former detectives who investigated the 1974 Birmingham pub bombings are to stand trial for conspiracy to pervert the course of justice and perjury. The four are summoned to appear before Bow Street magistrates in London, on November 15.

Inflation cuts into British Council fund

By Robert Mauthner

THE British Council, the country's main agency for promoting culture and the English language, yesterday warned that its work was threatened by the erosion of its government grant by inflation and plans to privatise part of the UK's aid programme.

Sir Richard Francis, the council's director-general, said in the organisation's annual report the council was left with a budget shortfall of £2.4m that in spite of healthy growth in 1990-91, when receipts rose 3 per cent in real terms to £382m.

This had to be made good by reducing the council's services in 53 countries. Moreover, in spite of a 6 per cent increase last year in the Foreign and Commonwealth Office's core grant, the council faced the prospect of a grant-in-aid budgetary decline of about £15m a year by 1994-95, on current official inflation forecasts.

"The progressive reduction of Britain's cultural presence overseas would be in many ways unthinkable at a time when the opportunities for Britain in this field have never been greater," Sir Richard said.

The council has offices in 162 towns in 92 countries. Offices have been reopened in Buenos Aires after a nine-year break following the Falklands war, and in Windhoek, Namibia.

Britain follows US trend as poverty worsens

By Alan Pike, Social Affairs Correspondent

THE PATTERN of poverty in Britain is moving away from the European model and towards that of the US, according to a comparative study conducted by academics in seven countries.

One central finding is that, while the US experienced steadier economic growth and comparatively lower unemployment than much of Europe during the 1980s, its poverty problems worsened.

Poverty in Britain is shown by the research to have progressed on similar lines to that of the US.

A report by Mr Roger Lawson, senior lecturer in social policy at Southampton University who co-chaired the project,

says that at the end of the 1970s UK poverty rates were similar to those of Germany, the Netherlands and Sweden and generally lower than France.

But the mid-1980s, UK poverty levels for most types of household were "markedly higher than the levels in these other European countries."

During the 1980s poverty levels among families with children "accelerated at a much faster rate than elsewhere, overtaking all but the US levels."

According to the research, co-ordinated by the Joint Center for Political and Economic Studies in the US, the percentage of British working-age couples receiving less than half

median average household income rose from 8.2 per cent in 1979 to 16.6 per cent in 1986. The US rate rose, although less steeply, from 14.5 per cent to 17.9 per cent during the same period.

By comparison, the Swedish and French rates fell slightly between the early and mid-1980s, while the rate of increase in the Netherlands was only from 6.6 per cent to 7.3 per cent and in West Germany from 5.6 to 7.1 per cent.

The study estimates that in 1979, 4.3 per cent of British families with children were below the "more severe poverty line" and receiving less than 40 per cent of average

household income. By 1986, the rate had doubled to 8.6 per cent.

Lawson says these and other results from the survey indicate that by the mid-1980s "the configuration of poverty in Britain, previously similar to that of other European welfare states, was much closer to the North American pattern. Although the conclusions are confined to data up to the mid-1980s, he says there is no evidence to indicate that the pattern has changed again since then."

Researchers found that over a three year period during the mid-1980s, most poor families in West Germany, Luxembourg and the Netherlands were able

to "escape poverty" by raising their incomes above the poverty line, while in the US one in seven families were in poverty throughout the period.

Comparable information on the mobility of Britain's poor was not available.

The research concludes that new groups had been exposed to poverty in all the countries studied with the young, working-age families with children and ethnic minorities affected disproportionately.

According to the study, the basic assumptions on which traditional welfare programmes were built had begun to "melt away in the social and economic transformations of the past two decades."

Co-operation urged on international crime

By Robert Rice, Legal Correspondent

INTERNATIONAL criminals would no longer enjoy safe havens if the world's prosecuting authorities improved co-operation and assistance, Mrs Barbara Mills QC, head of the UK's Serious Fraud Office said yesterday.

Speaking at an International Bar Association conference in Hong Kong, Mrs Mills said the era has ended when such criminals could cross frontiers with the proceeds of their crimes in the knowledge that authorities

would have difficulty pursuing them.

Britain has been accused in the past of not co-operating with other countries and of being slow in handling requests for mutual assistance.

This was because British legislation in this area was too limited and dealt only with specific problems relating to extradition and more recently drug trafficking.

Mrs Mills said that has now changed with the introduction

in July this year of the Criminal Justice (International Co-operation) Act 1990. The Act would "revolutionise the ability of the UK to render assistance to overseas countries."

It allowed the UK not only to accede to the European mutual assistance treaty but also to make bilateral arrangements with countries which were not signatories to it.

The UK would benefit from this by being able to prosecute serious offences which would

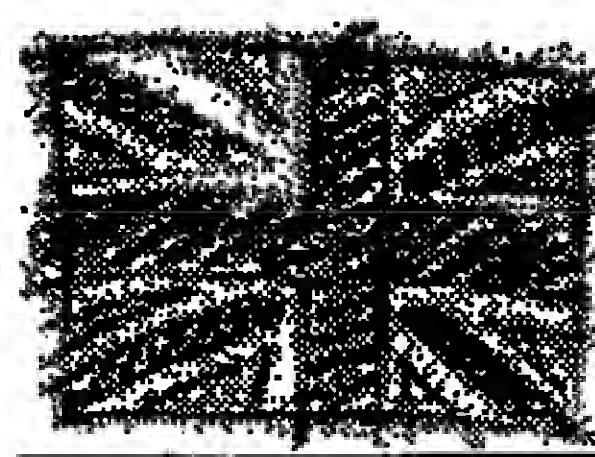
otherwise have not got to court because evidence was not available. It would also lead to the speedier and more efficient prosecution of serious offences because of the greater availability of witnesses and evidence from abroad.

Mrs Mills said the Act was the most important piece of legislation passed by Parliament in this area. It demonstrated the UK's commitment to the fight against international crime.



Mills: ready to fight crime

BRITAIN IN BRIEF



Britain pulls out of joint arms project

Britain has told the French and German governments it is withdrawing from a joint project for anti-tank weapons and favours a smaller stake in a new programme.

The decision, which involves formal notice of withdrawal from the existing programme, deals a further blow to the fortunes of British Aerospace, hitting one of the group's main missile projects.

The company, which has several hundred people working on the project, said yesterday it was "looking at the options." Earlier this year it announced 2,200 job cuts in its guided-weapons division, almost a quarter of the workforce.

The Ministry of Defence said Britain had already spent about £75m on the long-range weapon, part of a joint programme called Trigat. The question of penalty payments for breaking the three-nation agreement had still to be negotiated.

AEA reports £40m net loss

The UK Atomic Energy Authority reported a net loss of £40m in its first year as a commercial organisation operating under the name of AEA Technology.

AEA's results for the year ended 31 March 1991, show an operating profit of £17.7m, before restructuring costs of £49.1m and interest charges of £8.6m.

Peugeot to expand plant

Peugeot Talbot, the UK subsidiary of Peugeot the French car maker, is to invest nearly £5m to expand and modernise its UK parts warehousing and distribution operations.

The new facility, which will handle the supply and distribution of all Peugeot, Citroën and Motaquip parts for the whole of the UK, will be operational by mid-1993.

As part of the investment Peugeot will build a new warehouse at Coventry linked to an existing warehouse to provide a total nearly 500,000 square feet of capacity.

Inflation to fall to 3.8%

UK inflation will fall to 3.8 per cent by the end of the year, undercutting the government's forecast by 0.2 percentage points, according to the average of independent forecasts compiled by the Treasury.

According to the September economic forecasts of 25 independent and City institutions, inflation as measured by the retail prices index is set to fall even further than the government has predicted.

Its fall is to be achieved partly at the expense of lost jobs. Unemployment is to rise by 2.65m by the fourth quarter.

Talks planned on excise duty

Treasury and excise officials are to hold a series of meetings with representatives of the Scotch whisky, gin and vodka industries to discuss concerns about the harmonisation of excise duties in the European Community.

The moves follow a meeting yesterday between Mr Norman Lamont, chancellor of the exchequer, and leaders of the spirits industry.

The industry delegation emphasised the threat to the industry's exports of any widening of the tax differential between spirits and wines.

Mr Lamont agreed to a further meeting after the issues have been examined by officials.



Lamont: examining issues

Daiwa submits building plan

Daiwa Securities, the Japanese brokerage house, yesterday applied for planning permission to build a new \$40,000 sq ft headquarters building in the City of London.

The building is being developed by Daiwa Europe Property, a subsidiary of Daiwa Securities, with Kajima UK Engineering acting as the client's representative.

Moves against Nadir 'futile'

An attempt by the Inland Revenue and eight banks to jail Mr Asil Nadir, the former Polly Peck chairman, over a secret \$27m deal to sell his shareholding in a Turkish bank was described as "futile" by his QC in the High Court.

Mr Nadir, who is facing 18 charges of theft and false accounting involving up to £200m in pending criminal proceedings, was in court to hear Mr Stanley Brodie QC argue that the move to jail him should be struck out without a full hearing because no case had been shown against him.

The creditors have started committal proceedings against Mr Nadir on the basis of alleged breaches of a High Court undertaking not to dispose of his assets pending the hearing of a bankruptcy petition launched last October.

Lloyd's hearing

A Canadian court is to complete preliminary hearings in a case involving allegations of fraud and misrepresentation at Lloyd's of London, the insurance market.

Seventy Canadian Names, the individuals whose capital supports underwriting at Lloyd's, are involved in the action. The Names, all of whom are professionals living in Ontario, were members of syndicates managed by Faltrm and Gooda Walker agencies.

Faltrm syndicate 540 and Gooda & Partners 298, produced some of the worst results at Lloyd's in 1988.

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The second step is to recognize that the full value of those ideas can only be appreciated if they are effectively communicated. At Rank Xerox, for example, an idea about capturing information to help improve customer service wasn't fully realized until it found its way into a document.

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MANAGEMENT

Two years ago, all eyes were on San Francisco when the city was rocked by a violent earthquake. This week, the attention of computer executives around the world will be riveted here on an event that could shake the underpinnings of the \$80bn (\$51bn) a year personal computer industry.

International Business Machines and Apple Computer, the two largest producers of personal computers in the world, will today unveil details of extensive technology-sharing and joint development agreements that will shape the future product directions of both companies and potentially the whole industry.

Together, IBM and Apple aim to create new "foundation technologies" for the personal computer market of the 1990s and beyond. Their immediate goal, however, is to expand both companies' shares of the personal computer markets by jointly developing products that combine the appeal of Apple's Macintosh personal computers with the power of IBM's RS6000 workstations.

The impact on many of IBM and Apple's competitors could be significant. Those that have slavishly followed IBM's lead, building "clones", are particularly vulnerable. Much will depend, however, on the ability of IBM and Apple - two very different companies - to work together. So far the companies claim that differences of style have been no impediment to progress in the planning stages of this extensive collaborative agreement.

Significantly, however, two joint venture companies to be formed as part of the new IBM-Apple relationship will be based in California where they will no doubt attract some of the free spirits among IBM's technologists, while making Apple's employees assigned to the joint venture feel very much at home.

The first test of the Apple-IBM relationship will be a rushed job. By the end of this year, the companies aim to develop computer programs that enhance links between Apple's Macintosh computers and IBM's corporate computing systems.

According to IBM, customers will be able to mix and match IBM personal computers and workstations with Apple's Macintosh on computer networks.

The bigger beneficiary of this development will be Apple, presided over by chairman John Sculley, which aims to expand its sales to corporate users. The collaboration will

Taste of Apple at IBM

Louise Kehoe on the impact of today's collaboration announcement



John Sculley (left) and Jack Kuehler: announcing extensive technology-sharing and joint development plans



come as no surprise to competitors.

IBM and Apple do, however, have some shocks in store. The biggest may be IBM and Apple's new determination to "drive open systems", as Jack Kuehler, IBM president, says.

All of the technology that Apple and IBM develop together will become available to other manufacturers, through technology licensing arrangements, the companies say.

Apple and IBM will encourage competitors to produce "compatible" personal computers, to establish their new designs as an industry standard.

Over the next two to three years, IBM and Apple will develop a common version of Unix, the AT&T computer operating system that forms the basis of open systems.

The new Apple-IBM flavour of Unix will be compliant with that offered by the Open Systems Foundation, one of two rival "standard" versions of Unix currently available. Simultaneously, Apple Com-

puter will convert its latest Macintosh software, called System 7, to run on computers built around IBM's Risc (Reduced Instruction Set Computing) microprocessor.

This is an essential element of Apple's plan to base future versions of Macintosh on the IBM chip, but will also bring the familiar "ease of use" features of the Macintosh to computers built by IBM and potentially by other computer manufacturers.

The Apple-IBM alliance signals a significant strategy shift by both companies towards open systems. IBM, in particular, will move from following the open systems trend to leading it. This could pose problems for many companies such as Hewlett-Packard and Sun Microsystems that compete directly with IBM in the workstation market and lead the open systems market.

Until now, IBM and Apple's proprietary systems have proved an easy target for proponents of the open systems movement towards computer standards that enable different types of computers to work together and share software.

The other critical element of the new common IBM-Apple

"platform" is Power PC, a single chip version of the IBM Risc microprocessor, that will form the brains of this new class of computers.

Apple and IBM aim to establish the basis of a new generation of personal computers through the combination of IBM's microprocessor, a common version of Unix and the Apple Macintosh software.

What prompted IBM to explore the possibility of a partnership with Apple was the computer giant's desire to capitalise on the success of its workstation microprocessor technology, Kuehler explains.

Apple, meanwhile, which had made the initial approach to IBM last year, was seeking ways to leverage its software technology into broader markets.

Apple was also struggling over the decision of which high-performance Risc microprocessor to use for its next line of products.

Motorola, the largest US semiconductor manufacturer and Apple's microprocessor supplier since the company's formation 13 years ago, appeared to be in danger of losing one of its best customers. Through the IBM-Apple alli-

ance, however, Motorola has not only retained Apple's business but also potentially won a leading role in the next generation of personal computers.

In an agreement between IBM and Motorola, fashioned to satisfy Apple's need for an independent source of microprocessor chips, IBM has licensed Motorola to use its semiconductor technology to build new versions of the Risc chip.

In addition, Motorola will gain access to IBM's semiconductor production processes and can sell the chips on the open market.

"We will become the primary silicon engine supplier to the personal computer industry," boasts Jim Norling, president of Motorola's semiconductor group.

This is an audacious claim for Motorola, which to date has been shut out of most of the personal computer market by the dominance of Intel, which today supplies microprocessors to nearly all IBM-compatible personal computer makers.

Motorola's ambition demonstrates, however, the far-reaching impact that the IBM-Apple plans could have on the computer industry, if they are suc-

Coming to terms with a disaster

Andrew Jack reports on the administration of appeal funds

A jubilant crowd gathered one Saturday at Bradford City Football Club. The fans were watching their team play a friendly match to celebrate its promotion to the second division.

Within minutes of half-time, they were sprinting in panic on to the pitch and throwing themselves against locked exit doors as flames engulfed the stadium. Fifty-six people died and more than 300 were injured in the fire, leaving the club with a permanent psychological scar.

More than six years later, it might seem macabre to dwell on the details of how the subsequent public appeal was established, and how the suffering of individual victims was weighed to determine how the money would be distributed. But a new book* provides valuable lessons into the management of disaster appeals.

After incidents like Bradford, public attention tends to focus on who or what was responsible. Inquiries make recommendations to prevent recurrences. But little attention goes to the question of administering the money offered by a sympathetic public.

Yet experience shows that if a mechanism to attract funds does not emerge within a few days, much of the momentum and public interest wanes fast. If a particular legal structure is chosen too hastily, the ways the money can be spent may be severely restricted.

At the same time, the trustees of any fund take on vast responsibilities. The money entrusted to them may total several million pounds and put them under close scrutiny. As W C Fields said of Andrew Carnegie, the US philanthropist, his distribution of money was "as quiet and unobtrusive as a fully laden waiter falling down a flight of stairs".

Roger Suddards, the main author of "Administration of Appeal Funds", and the solicitor who was chairman of the trustees of the Bradford Disaster Appeal, provides a detailed account of the Bradford appeal, down to copies of detailed internal memos and forms.

The trustees decided that the money would be distributed rapidly, confidentially and according to how badly people had been injured. The trustees themselves did not meet any of the victims.

Four retired people collected basic information from the victims. Compensation was assessed using a points system compiled by a medical burns specialist, a psychiatrist and an insurance claims assessor. A trust fund manager and several assistants helped administer the money.

They learnt how to use the media, appealing first for advice from administrators of previous appeals, and then holding regular briefings to keep the public informed, giving clear explanations for each action taken.

The first edition of Suddards' book appeared in 1987. It has now been substantially expanded to include new guidelines on tax and social security, and draft legal documents. It also contains contributions, albeit brief, from appeal trustees, which generally echo the lessons from Bradford.

One thing that has not changed is charity law. For an appeal to become a charity, and gain tax relief, it can only make payments which relieve poverty to those in genuine need. The Bradford trustees - in a move widely followed since - decided they wanted more flexibility, and became a discretionary trust instead.

The book diplomatically steers clear of calling for charity reform. Nevertheless, readers can judge for themselves when they see that the humanitarian appeal in Bradford, which raised £4.3m, had to pay nearly £93,000 in tax.

Elsewhere there are more optimistic signs. The British Red Cross has just launched a Disaster Appeal Scheme in support of local authorities. Under the scheme, banks and post offices will instantly accept donations and Red Cross nominees will manage the fund until the local community has decided the exact shape of the trust.

*Administration of appeal funds. Roger Suddards. Sweet & Maxwell. £16.50.

BUSINESS AND THE ENVIRONMENT

Computer reveals ocean's secrets

A current carrying warm water around the coast of South Africa from the Indian to the Atlantic Ocean plays a vital role in maintaining the balance of the world's climate, including the mildness of Britain and north-west Europe.

The climatic significance of the Agulhas Current is one of the features uncovered by the Fine Resolution Antarctic Model (Fram), a £10m project operated by the UK Natural Environment Research Council.

Fram - the result of modelling the circulation of the Southern Ocean on a Cray supercomputer - shows that the Agulhas Current carries almost 100m tonnes of heat into the South Atlantic.

From there the heat drifts north into the tropics and reinforces the well-known Gulf Stream bringing warm water to the coasts of north-west Europe.

Fram disproved an alternative theory, according to which warm water from the Pacific Ocean flowed past South Africa into the Atlantic. It revealed that very little heat transfer takes place between the Pacific and the other oceans.

Detailed ocean models such as Fram are important for modelling the world's climate and predicting climatic change.

Howard Gille, head of climate research at the UK Meteorological Office, says that the latest runs of the Met Office supercomputer model - coupling the oceans with the atmosphere - have given a new view of the greenhouse effect.

They show that the deep oceans absorb heat from the atmosphere more effectively than climatologists had realised. The computer now shows that the effect of doubling the amount of carbon dioxide in the atmosphere would be to produce less warming over the North Atlantic and the Southern Ocean than previous calculations had shown.

Clive Cookson

When a new community windmill goes up in Denmark, it is a cause for celebration. Local carpenters and electricians help with the windmill's installation. The local farmer allocates a field for the site and the whole village then receives its power from the windmill. The festivities are re-enacted annually.

In Britain, when wind power takes off, it will be the precursor of a new industry like Taylor Woodrow, British Aerospace, Tomen, the Japanese trading house, Seawest, of the US, the world's largest independent wind farm developer, National Power and PowerGen. Britain currently has just 84MW of wind power generating capacity installed, compared with 320MW in Denmark. California, the world leader in wind power, has 1,500MW of generating capacity.

Britain's wind power industry is about to get a boost. In the next couple of weeks, the government will announce an increased target for wind-generated electricity. It is believed that regional electricity companies in England and Wales will be told to contract out between 584MW and 1,168MW of new generating capacity to wind farm developers.

Wind farm developers have, meanwhile, submitted to them more than 40 competing proposals for wind farms generating at least twice that capacity. The contracts will be awarded within days of the government announcement.

Britain is one of the windiest countries in the world - some experts say at least a fifth of its electricity could be generated by wind. Yet the government's target for 2000 is to obtain just 2 per cent of the country's electricity requirements from all renewable energy sources, including wind, wave, hydro, geo-thermal and landfill gases.

Wind power enthusiasts say this is not enough. Denmark's target for the end of the decade is to produce 10 per cent of its electricity from wind alone. Holland's goal is 1,000MW of installed capacity by then. Germany, Spain, India and Egypt all have more ambitious wind energy targets than the UK, according to Greenpeace, the environmental group.

Wind power appeared on the political agenda in Britain only three and a half years ago. The industry is at the heart of the government's Non Fossil Fuel Obligation, which requires the regional electricity companies to secure access to a specified

Hilary de Boer looks at whether Britain's wind farms can become a significant source of energy

Electricity in a spin

amount of renewable energy. The first Renewables Order under the NFFO was made in September last year, requiring an installed capacity of 30MW for wind power.

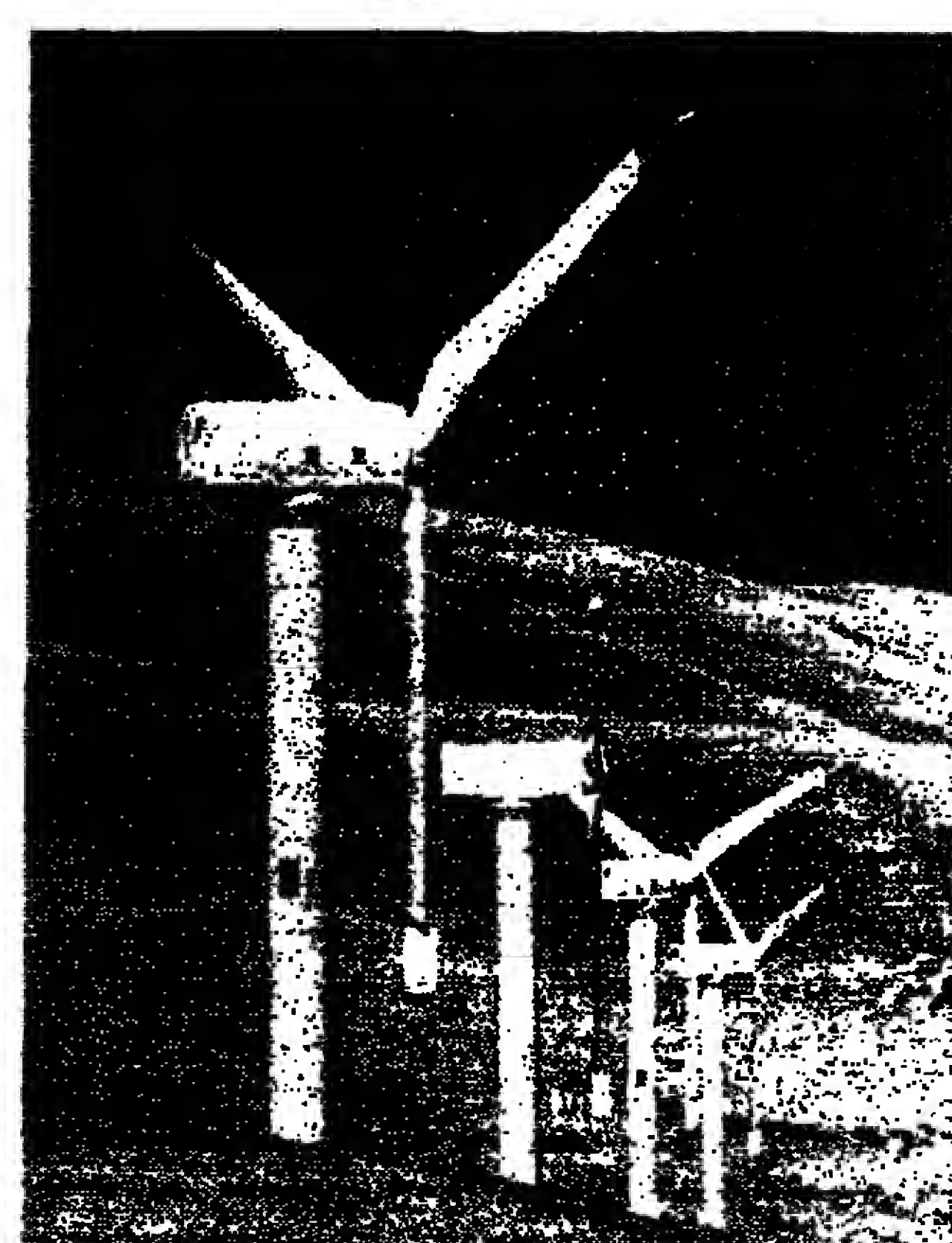
The NFFO promises a market and a premium price for renewable energy until 1998, based on the lowest prices in the wind farm tenders.

Critics are unhappy with many parts of the renewables policy, attacking its short-term nature and limited application. They complain that the premium price guarantee runs for too short a period, forcing them to recoup their capital investment over an unacceptably concentrated period rather than the projected 15- to 20-year life span of the wind farm. The contracts awarded this month will be valid from 1993 and be guaranteed for five years.

Renewable energy, like nuclear power, requires subsidies in its early years to make it economically viable for developers. The government's annual price subsidy for renewables is just 40p per household compared with £17 for nuclear power.

Another problem for potential developers is that only England and Wales are covered by the premium price guarantee and the obligation on electricity companies to take renewable energy. The best source of Britain's wind power is in Scotland but both it and Northern Ireland are excluded from government legislation. (The main wind farm developers are nevertheless already searching for suitable sites in Scotland in expectation that government policy will at some stage be extended.)

There is also the absence of a coherent set of planning guidelines for wind farms in the UK. Conservationists are increasingly unhappy about the possibility of wind turbines marrying the natural beauty of the countryside and are stepping up objections to planning applications.



Powerful incentives: California boasts 15,000 wind turbines

Developers say they, too, welcome planning guidelines: planning inquiries have delayed most of the projects awarded last year. "If every wind farm had to have a public inquiry, it would kill the business," said Peter Chester, chairman of the National Wind Energy Group, Britain's largest wind energy developer comprising National Power, BAE and Taylor Woodrow. Government guidelines are expected by the end of the year.

If Britain is committed to renewable sources of energy, it could learn much from California. The state has generated part of its electricity supply from wind power since 1981, producing 79 per cent of last year's total worldwide wind energy generation of 3.2bn kWh. More than 15,000 wind turbines together satisfy 1 per cent of the state's energy demand.

The energy source is so well established that wind is not only one of the least costly sources of renewable energy, it is almost as cheap to produce as coal and nuclear power. The California Energy Commission said a new wind plant can generate electricity at a cost of 4.7-7.2 cents/kWh, compared with about 6-7 cents/kWh for a new natural gas plant and 4.9-7.25 cents/kWh from existing conventional power plants. In

the early days wind power cost about 50 cents/kWh.

California's success is a product of the state's commitment to the industry, involving long-term contracts for wind farm developers and generous tax incentives for investors. Utilities were required to offer wind farm developers 30-year contracts guaranteeing especially high prices for their electricity in the first 10 years, when capital cost repayments would be highest.

Tax credits, both federal and state, did create "white elephants", with some wind turbines lying dormant as the dentists and doctors investing in them accrued tax advantages. But fears that the removal of tax credits in 1985 might jeopardise the industry's growth proved unfounded. More than half of California's wind-generating capacity has been installed since then.

Denmark, the world's second largest producer, also owes its wind power successes to a government commitment to support the industry, both politically and financially.

Utilities were forced by the government to develop large wind farms while local communities were encouraged to buy their own windmills to satisfy local electricity needs. Danish wind power now costs about one-third its original price.

The benefits of wind power are great. It is environmentally sound, with a single wind turbine able to save emissions of more than 1,000 tonnes of carbon dioxide every year. The fuel is free - it is not always reliable in the short-term. The technology in wind turbines is advanced, with reduced noise levels and improved efficiency. And prices for wind power can, over time, compete on the open market.

Greenpeace wants a UK government commitment to produce 10 per cent of the nation's electricity from wind power by the end of the century. Friends of the Earth is calling for the upcoming Renewables Order to include 165MW worth of wind projects, which the group calculates will increase average household electricity bills by less than 1p a week.

What UK wind farm developers desperately need is a long-term government commitment to support their projects. Per Krogsgaard, a partner at BTM Consult, the Danish wind power consultancy, said contracts should be guaranteed for at least 20 years. "You have to make it economically viable for the man who takes the risk, and give some premium for producing clean energy."

Soft touch from Chile's vicuñas

By Leslie Crawford

Beyond the Andes, in the breathtaking heights of the Chilean Altiplano, Aymara Indians talk of weaving a cloth as fine as silk and almost worth its weight in gold.

They are not dreaming. The cloth will be made from the delicate fleece of the vicuña, wild cousins to the domesticated alpacas and llamas. The removal of tax credits in 1985 might jeopardise the industry's growth proved unfounded. More than half of California's wind-generating capacity has been installed since then.

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exported since the mid-1980s. Without their herds, hundreds of Aymaras migrated to the ports of Arica and Iquique in search of jobs.

More recently, the Aymaras have fallen into the clutches of armed gangs of Bolivian drug dealers. For a few dollars, the Aymaras will smuggle cocaine and crack across the Altiplano and the Atacama desert to Chile's northern ports.

"Unless we can provide the Aymaras with a decent livelihood they will sink further into poverty and crime," says Eduardo Nuñez, one of Conaf's regional managers.

That is how the vicuña project was born. If the vicuñas wool could be woven into cloth on a commercial scale, the Aymaras would have a guaranteed income far in excess of peddling drugs or farming alpacas.

Although vicuñas have never been domesticated, Nuñez launched a project last year to test whether the animals could be safely trapped and sheared in the wild. Last summer, mobile fences were stacked in the marshlands of the Altiplano and Conaf and park wardens on motorcycles rounded up the vicuña herds into the makeshift corrals.

Using large shearing scissors, the wardens were careful to leave enough fleece on the vicuñas to protect them from freezing temperatures. Each animal yields about 550 grams of a wool, which is softer than cashmere. About one kilo is needed to make a square metre of cloth.

Soon, he believes, the Aymaras will be weaving the most luxurious cloth in the world, with a guaranteed renewable resource.



TELEVISION

What dazzles the eye may baffle the brain

Christopher Dunkley reflects on the Prix Italia

Let us get the chauvinism out of the way first. The final tally of television prizes at this year's Prix Italia broadcasting festival in Pesaro was Britain five, rest of the world three. Since 30 countries competed, ranging from the US and the USSR to Finland and the Ivory Coast, this was an outstanding achievement. It could not, however, be called extraordinary since the British have a long tradition of carrying off more prizes than anybody else from broadcasting festivals in general, and in particular from the Prix Italia, the oldest of the lot, with the most highly regarded awards.

However, the three television prizes they failed to win were some of the most important. The Prix Italia for documentaries went, rightly in my view, to the Yugoslavs for a classic 25-minute programme called *Holda* which tells, without the need for any didactic voice-over, how some of the inhabitants of Zenica scrape a living out of the spoil from the local metal mines. Against a hellish background of sulphurous smoke they leap aboard the lorries as they hurtle towards the town dump (or "holda") in order to have first go at the pickings. The special prize in this category went, bafflingly, to *La Czarizze*, the gist of which was "Here's a poor woman who merely bought a rifle and shot her husband dead, and now this awful world of men has put her in gaol. Shame".

The Prix Italia for television drama was won,

choose some other name for the prizes in whatever odds and ends of categories - ecology, title sequences, best broadcast butty served by a location caterer - may be added from time to time. Any name other than Prix Italia will do.

Britain's radio broadcasters were less successful than their television colleagues. Out of eight prizes they were awarded just one, though some saw this as a particularly gratifying one. The winner of the Prix Italia for the best radio music programme was *Who Pays The Piper?* from the BBC. The interesting and perhaps significant point was that instead of being some esoteric piece of polyphony from Radio 3 of the sort which might be expected to appeal to the popular idea of an egg-headed Prix Italia jury, it was a half-hour history of music, told in verse by Richard Stilgoe, in a style reminiscent of 1966 *And All That* and the Footlights Revue with lots of good musical gags. The jury reeled out of their room holding their sides, a rare sight at this festival.

And apart from the spreading throughout the world's broadcasting organisations of a post feminist belief in the innocence, purity, and sheer saintliness of women, and the concomitant vilification of men, which was described in last week's column, what did this annual exhibition of (supposedly) the world's top programmes reveal to us?

First that the makers of drama, documentary and arts programmes take a long time to start reflecting events even when they are as cataclysmic as those in eastern Europe during the last two years. There was one documentary from the Swedes called *14 Days That Shook Europe* and the chilling drama called *The Closet* from Czechoslovakia. This told of the secret police and the misuse of mental hospitals and presumably could not possibly have been made by the Czechs until very recently.

But out of 73 television programmes in the competition these were the only ones to dwell upon the subject: perhaps this reflects mainly upon the absence of a news and current affairs category at this festival. Maybe we shall be inundated with dramas and documentaries on the subject next year.

Second, that more and more broadcasters in more and more countries are becoming interested in the difficulties, indeed the agonies, of the immigrant experience. This was the theme not only of the drama winner from France, but also of *Anika*, a Yugoslav costume drama concerned with German immigrants, and of *Silence* from Austria which told the sad tale of a fostered girl who looked black in Austria in the 1930s (in television drama the past seems as popular elsewhere as it is in Britain); and of *The Home Country*, a slightly soapy account of modern day Asian immigrants in Norway.

Attending festivals of this sort, it becomes pretty clear that broadcasters from different countries watch one another's material and take leaves from one another's books. A single documentary about transsexuals at one Prix Italia must have sent many producers home thinking "Gimmie we surely have people like that in our country" because the following year brought a minor flood of transsexual programmes.

On the subject of immigrants producers doubtless needed little prompting since the phenomenon is growing so fast in so many places as population expansion and mobility increase. However, I do suspect that there have been several programmes shown this year which may result in something of a copycat plague next year, and they all came from Britain.

What they share is a frankly busy surface technique which dazzles the eye and, all too often I suspect, baffles the brain. Understandably enough one of the most extreme, TTV's *Top Guns And Toxic Whales*, another of those finger wagging sermons on the environment, failed to win an award, but the other examples - *TV Dents* and the titles from *The South Bank Show* - did get prizes.

Virtuoso technique of the sort that they use, involving split screens, multiple imaging, fast cutting, and all the modern trickery which allows you to flip the picture in any direction, and relay one picture within another, all has its place. It seems ideal for a title sequence rapidly symbolising the content of the forthcoming programme, for instance.

But surely the only people who want it for itself are television producers, and even they like it mainly because it says "Hey, look, I've got this expensive bit of gadgetry". Yet the bluish "look" will, I fear, soon become de rigueur. Not a programme will be allowed to pass without its inlays and backflips. For next year's Prix Italia we shall need our dark glasses and cold compresses.



'The Closed Pavilion' from Czechoslovakia: one of the very few programmes reflecting recent history

wrongly in my view, by the French with a work called *Les Rituels* which, it seems, translates as "The Wops", this being an account of the difficulties of Italian immigrants in France in the 1930s. Judging from their festival entries, French television dramatists must limit themselves almost exclusively to gothic stories about childhood. Like so many of its predecessors, this one was sentimental to the point of dishonesty. Having been a 10 year old boy myself, I can tell you that such creatures do not engage in formal war games, fought on glorious heathland, in eternal sunshine, observing gentlemanly rules of conduct they fight dirty, just like their elders, often behind the hills shade, frequently in the rain. The entry which should have won, the BBC's superb *Oranges Are Not The Only Fruit* was actually awarded the "special" prize. True, but prizes are worth 15m lire, more than £7,000, but nobody is in any doubt about the status of the "special".

Britain's other successes were the BBC's complex and fascinating account of the life, writing and alcoholism of the late Benedict Yerevityev, *From Moscow To Petersburg*, which won the Prix Italia for television arts programmes; Channel 4's *TV Dents* an adaptation of "The Inferno" which is crammed to overflowing with technical wizardry; and the titles and credit sequences from *The South Bank Show* and from a disparate collection of Channel 4 series, which won the Prix Italia and the special prize respectively in this year's oddball category.

With a history going back to 1948, when the first prizes were awarded for drama, documentary, and music, solely in radio, of course, it does seem a pity that the title "Prix Italia" is now being attached to an award for titles. All festivals like to experiment and expand, but if the prestige of the three original categories is to be maintained, it would seem a good idea to

ARTS

Siegfried

COVENT GARDEN

The third part of *The Ring* maps out a steady - and, on the right night, incomparably thrilling - progression from low to high, physical, psychological and spiritual. The troughs and peaks of Monday's performance were created more by the failures of the Götter Friedrich production, and by the varying abilities of the cast to counteract them, than by the unfolding drama.

Even the most Carmelite of critics vows to preserve silence on the limitations of the time-tunnel set would have to be broken when the second act of this particular *Ring* instalment was reached. The artistic disparity between the richness and variety of musical scene- and character-elucidation and the lethal, light-banishing confines of the set is too great to be bridged even by a Wagnerian of Bernard Haitink's stature.

Haitink's conducting of *Siegfried* proves yet more responsive to the distinct character and colour of each component part than last October, when he tackled the work for the first time, and the orchestra, albeit on slightly erratic form (with racy, rhythmically imprecise brass at the start of Act 3 a notable flaw), seconds his dramatic conviction with committed eloquence. The whole opera holds together more certainly than it did last year; the feeling of unity within diversity is a key to the musical success of any *Siegfried*, and Haitink promotes it with absolutely confident command of all three long acts.

Yet all his efforts could not unarguably prevail, nor prevent Act 2, with its net curtains, earth-mover giant and woodbird on wires (shrilly sung and horribly mimed), from touching the low point of the entire cycle. It is, therefore, uphill work for the cast, whose uneven qualities would surely be better disguised in a less comprehensively unhelpful staging. John Dobson, for instance, who sings Mime in both cycles (replacing in the first the ailing Alexander Oliver), is a veteran character tenor of considerable artistry and

experience; but the neurotic-rabbit characterisation here wished on him, a prolonged bout of fidgets interspersed with whimsical dashes for cover, results in an unfortunate emphasis on the lack of substance in the tone, the amount of reliance on "management" in the singing.

This is one of the least epic Mimes I have encountered. Likewise, René Kollo is a now-mature tenor of enormous charm and skill entirely untrained to the Lilli Abner get-up of Friedrich's Siegfried. He steers his way through the demands of the vocal line as intelligently as ever: there is no ring in the upper register, and long-held notes are apt to jitter, but once maturity began to come into view Mr Kollo digs much deeper into the character, and on Monday the final duet - with Haitink in tenderly watchful form, and Gwyneth Jones in more controlled, more raply unforced voice than anyone could have predicted from her *Walküre* Brünnhilde - brought the evening to a walking-on-air conclusion all the more wonderful for being so unlikely.

It is, however, the male lower voices who come closest to the ideal of sustained singing on an heroic scale. The Wanderer of Jutta Morris, though his contribution to the drama of the riddles is superficial, unleashes in Act 3 a splendid Wagnerian torrent, grandly noble in sound and shapely in style; the Alberich of Ekkehard Wlaschinski focuses both word and tone with superb vividness, the bass of the new Father, Franz-Josef Selig, is deep, dark, powerful. Anne Gjevang's Erda maintains a beautiful smoothness in low phrases which it loses as the tessitura rises.

Measured by current standards of Wagner singing, this is in truth a not-half-bad cast. In any case, could even the most illustrious assembly of *Ring* Golden-Agers have survived the depredations of a time-tunnel *Siegfried* any more effectively?

Max Loppert



René Kollo and Gwyneth Jones

Docklands Jazz Festival

DESIGN MUSEUM, BUTLER'S WHARF

Courtney Pine and Co among the warehouses and wharves of Docklands seems a peculiarly 1980s concept today. Not so much a festival as three concerts in one weekend, the Docklands event did provide a good opportunity to listen to the city's most precocious jazz talent at one go, however. Most of them, Courtney Pine, Jason Rebello and Julian Joseph - have new recordings to promote. Sadly, the museum was not designed with music in mind.

Young pianist Jason Rebello kicked off on Friday night with a fusion set dulled by the acoustics of the design museum's upstairs gallery. Tony Remy, who has his own outfit, Lateral Thinking, managed to cut through the muddled bass and drum with some howling notes from electric guitar, but mostly Rebello's band, which also includes saxophone, bass and clomping drums, fought a losing battle with an unforgiv-

ing hall and not sharp enough writing. On CD, it could be that the material lives up to its title (his album, *A Clearer View*, has been well enough received), but Rebello's murky offering of fusion did little to enlighten the uninitiated. Towards the close of the set the personable young man shifted from the electric piano to the old-fashioned ivories for a more considered solo spot, accompanied only by drum machine. A gentle excursion on which Rebello could actually be heard to be a sensitive player, I missed the point of dispensing with drummer Jeremy Stace for a beat box.

Compared with Rebello, saxophonist Courtney Pine, at 27, is a seasoned performer who becomes more Mr Entertainment each time I hear him. Accompanied this time by his old partner pianist Julian Joseph and his quartet, he was relaxed and raring to shoot the breeze. Starting out with a soprano

his own man and at his most individual when dropping large chunks of atonal walling into contrastingly lyrical passages.

Hearing him in the company of Julian Joseph, another young man matured early, is a double treat. Joseph, who has an album entitled *The Language of Truth*, is an unexcitable and controlled player who moves a good hand along beautifully and economically. But he can mix it too, and sparkle in conversation with regular drummer Mark Mondesir.

These young men may have been painted as designer jazz musicians for the 1980s, but in the '90s they begin to look a more substantial proposition. Closing with "Zaire" from his new album, Pine seemed positively prophetic.

Garry Booth

Waiting for Godot

QUEEN'S THEATRE

There was a lot to be said for *Waiting for Godot* when it first appeared in the 1950s; there is even more to be said for it now. Samuel Beckett's play has grown with time, but it has grown in a strange sort of way: funnier rather than deeper.

Discard all the old analysis about who or what is Godot. Mayall, is the cleverest of the pair. Estragon (Adrian Edmondson) is the foil, the dumb companion who, for example, pulls his trousers down when told to pull them up and who invariably gets the wrong end of any stick around.

Where Mayall and Edmondson score further is in frequently detaching themselves from the pretentiousness that has often been seen in the play. Several times they seem to be talking to each other

about how the theatre works. Sometimes they come out and address the audience directly. *Waiting for Godot* becomes not a play about the nature of the universe or the destiny of man, but the willing suspension of disbelief. The famous line

"Nobody comes, nobody goes, it's awful" no longer comes across as an attempt at a profound statement, and absolutely not of cosmic despair.

The basically comic treatment helps in another way. There is no reason to try to read anything especially significant into the characters of Pozzo and Lucky. They appear because they appear. Pozzo, like a jolly Irish farmer, Lucky, who performs the role of Pozzo's mule, is dressed like a Jesuit priest. Christopher



Rik Mayall

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Mahler's First Symphony and Beethoven's Fourth Piano Concerto, with Stephen Bishop-Kovacevich. Repeated tomorrow and Fri. Sat. at 14.00: Henry Lewis conducts the Netherlands Radio Symphony Orchestra in a concert performance of Hindemith's *Mathis der Maler*, with a cast led by Richard Versalle, Mechthild Gessendorf, James O'Neal and David Pittman-Jennings. Sat. Sun and Mon: Hartmut Haenchen conducts Mozart and Mahler (6718 345)

BERLIN

Deutsche Oper 19.00 Heinrich Hallreiser conducts Günter Krämer's new production of *Die Zauberflöte*, with Eva Johansson as Pamina and Peter Seifert as Tamino. Tomorrow: La bohème (West Berlin 3410 249) Philharmonie Kammermusiksal 20.00 Hans Werner Henze conducts the Berlin Philharmonic Orchestra in music by Haydn, Dittersdorf and Henze, also tomorrow, Fri and Sat

(West Berlin 2614 383) Schauspielhaus 20.00 Mathias Breitschaft conducts the Mainz Cathedral Chorus and Orchestra in Beethoven's Mass in C major and Bruckner's Te Deum. Tomorrow: Michael Schonwandt conducts the Berlin Symphony Orchestra (East Berlin 2272 261) Komische Oper 19.00 Joachim Willert conducts Harry Kupfer's production of *Così fan tutte*, with Magda Nador as Fiordiligi and Werner Haselau as Don Alfonso. Tomorrow: Idomeneo (East Berlin 2292 555)

BONN

Oper 20.00 Youri Vámos' production of *Swan Lake*, repeated on Sun and next Wed. The first new opera production of the season is *Die Zauberflöte*, staged by Jean-Claude Riber and conducted by Dennis Russell Davies, first night Oct 13 (773657)

BRUSSELS

Théâtre National 20.15 First night of the 1991-92 season: Strindberg's *A Dream Play* (1902) directed by Isabelle Pousseur. Daily till Oct 19, except Mon (217 0303) Palais des Beaux Arts 20.00 Maria Joao Pires plays piano sonatas by Beethoven and Mozart. Sun: Pierre Bartholomée conducts the Liège Philharmonic Orchestra in works by Mendelssohn, Mozart and Schumann (507 8200)

COLOGNE

Opernhaus 19.30 James Conlon conducts Willy Decker's new production of *Der fliegende Holländer*, with a cast led by

Robert Hale, Liabeth Balslev and Josef Protschka, also Sat. Tomorrow: Jochen Ulrich's *Tanz-Frott* production of *Romeo and Juliet*. Fri: Don Giovanni. Sun: Lady Macbeth of Mtsensk (221 8400)

LEIPZIG

Gewandhaus 20.00 Opening concert of the Gewandhaus Festival: Peter Schreier conducts an all-Mozart programme, including the Champagne aria from *Don Giovanni* sung by Alan Titus and the First Violin Concerto played by Christian Funke. Tomorrow: Jane Glover conducts the London Mozart Players. Fri: Marek Janowski conducts the Nouvel Orchestre Philharmonique. Sat: Hans Graf conducts the Salzburger Mozarteum Orchestra, with Paul Badura-Skoda piano soloist. The festival runs till Oct 12 (7132 252) Opernhaus 19.30 Jazz Dance Chicago. Tomorrow and Sat: Ligeti's *Le grand macabre*, staged by Joseph Kitz and conducted by Udo Zimmermann. Fri: Julien Sorel, choreography by Youri Vámos, music by Elgar (7168 273)

LONDON

Coliseum 19.30 James Holmes conducts Jonathan Miller's production of *The Mikado*, with a cast led by Richard Suart, Anne Collins, Bonaventura Bottone and Ian Caddy, repeated on Sat. Tomorrow: Billy Budd. Fri: La bohème (071-836 3181) Royal Festival Hall 19.30 Esa-Pekka Salonen conducts the Philharmonia Orchestra in Debussy's *Iberia* and Stravinsky's *The Rite of Spring*, with Yuri Bashmet soloist in

Bartók's *Viola Concerto*. Tomorrow: Tennstedt conducts Beethoven. Sun: Giulini conducts Verdi's *Requiem* (071-928 8800) Barbican 19.45 Jeffrey Tate conducts the English Chamber Orchestra in Mozart's *Linz Symphony* and Mass in C minor, with Ann Murray, John Mark Ainsley, Matthew Best and the Tallis Chamber Choir. Tomorrow: gala performance of Jesus Christ Superstar (071-638 8891)

MILAN

Teatro alla Scala 20.00 Krzysztof Penderecki conducts the Orchestra of La Scala in three of his own works: *Anaklasis* for orchestra, *Viola Concerto* with soloist Grigori Zhilenski, and extracts from *The Black Mask* with the soprano Christine Weidinger and mezzo Ildiko Komlosi. Repeated tomorrow and Fri (7200 3744)

NEW YORK

Metropolitan Opera 20.00 James Levine conducts Idomeneo with Anthony Rolfe-Johnson in the title role. Cheryl Studer as Elettra and Anne Sofie von Otter as Idamante. Repeated on Sat. Tomorrow: Don Giovanni (362 6000) New York State Theater 20.00 George Manahan conducts Frank Corsaro's production of *Die tote Stadt*, with John Abalom as Paul and Stephanie Sundine as Marie, also Sat. Fri: Madama Butterfly (870 5570)

PARIS

Musée Bastille 19.30 Jonathan Darlington conducts *La nozze di*

Figaro, with Jorma Hynninen as the Count, Françoise Poliet as the Countess and Maria Bayo as Susanna. Tomorrow and Sat: Myung-whun Chung conducts Idomeneo (4001 1616) Opéra Comique 19.30 Final performance of Pierre-Jean San Bartolomé's production of *Donizetti's La Favorita* (4286 8833) Salle Pleyel 20.30 Louis Langrée conducts the Orchestre de Paris in an all-Mozart programme, with Christian Zacharias soloist in the Piano Concerto No 24, repeated tomorrow (4663 0796) DANCE Centre Pompidou 20.30 Stephen Petronio and Michael Clark. Daily till Sun (4774 4219) Théâtre de la Ville 20.30 Face Nord, new dance work by Mathilde Monnier, Runs till Sat. Next week: Michele Anne de Mey (4274 2277)

PRAGUE

This week's programme at the Smetana Theatre includes a Prague Symphony Orchestra concert tonight at 19.30 conducted by Petr Altrichter, with Rossini's *Stabat Mater* and Mozart's Piano Concerto No 25 played by Ivan Moravec. The Smetana Theatre repertory includes *Così fan tutte* tonight at 19.00, Smetana's *The Kiss* tomorrow and a new production of Wagner's *Tristan und Isolde* on Fri. The National Theatre has *Rusalka* on Sun. Pre-booking at Sluna ticket agency, Wenceslas Square 28, and theatre box-offices.

STOCKHOLM

Konserthuset 19.30 Mikla Eichenholz and Jan-Ake Hillrud conduct the Stockholm

Philharmonic Orchestra in a programme of light classical music, repeated tomorrow (244130) Royal Opera 19.30 Kenneth MacMillan's production of *Romeo and Juliet*, also Fri. Tomorrow: Johann Gottlieb Naumann's Swedish opera *Gustav Vasa* (1786), with a cast led by Nicolai Gedda. Sat: concert performance of Mozart's *Il re pastore* (248240)

VIENNA

Staatsoper 19.30 Fabio Luisi conducts *La traviata*, with Edita Gruberova, Vincenzo La Scala and Renato Bruson. Tomorrow: La Sylphide. Fri: Pinchas Steinberg conducts *Salome*, with a cast led by Marilyn Zschau and Leonie Rysanek. Sat: *Die Zauberflöte*. Sun: Abbado conducts the Tarkovsky production of Boris Godunov, with Robert Lloyd in the title role (5144 2260)

ZURICH

Opernhaus 19.30 Nello Santi conducts *Tosca*, with Mara Zampieri in the title role, Francisco Araiza as Cavaradossi and Alfred Muff as Scarpia. Tomorrow and Sun: Bob Wilson's new production of *Lohengrin*. Fri: ballets by Bernd Bienert and Pierre Wyss. Sat: Eugene Onegin (262 0909) Schauspielhaus 20.30 Arthur Schnitzler's play *Der Ruf des Lebens* (The Call of Life), in a new production by Achim Benning, also tomorrow, Fri and Sun (251 1111)

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Wednesday October 2 1991

Mr Kinnock's competence

THE prime minister was wise to let it be known that there will be no general election this year. If he had called one early in November, just five weeks from now, the Conservative party might well have found itself in big trouble. When the decision to postpone the election was taken, since the most recent run of opinion polls puts Labour and the Conservatives on 40 per cent each, it became clearer yesterday, when Mr Kinnock made a speech that showed what a competent campaigner he is.

His address to the annual party conference constituted his last such set-piece opportunity before an election must be held. Dipping into the enormous treasury of previously rehearsed Labour policies for the cure of every ill known to man, he lived up to the occasion. As to content, the speech contained no surprises, as to form, it had shape and shrewd selectivity, even a modicum of populist passion. It read, and sounded, like an oration designed for the start of an election campaign.

Mr Kinnock's overriding theme was that laissez faire is not sufficient, that governments can stimulate industrial growth and invest in both human and physical infrastructure. This was wrapped up in much talk about education and training, scientific advance, inventiveness, tax incentives to invest in plant and machinery, expenditure on modern transport and the like.

Missing phrase
What was missing was the stirring phrase that won the 1994 election for Labour, Harold Wilson's "white heat of the technological revolution". The Conservative's bone-dry department of industry may be ideologically sound, but it is up against strong competition in the marketplace for votes.

A second wraparound slogan was a set of variations on "we are determined to put Britain into Europe's first division", which both underlines Labour's conversion from anti-EC to pro-EC and puts the party at the modern-sounding end of the debate. This would have severely embarrassed the Conservatives in a November election. In the run-up to the

intergovernmental conferences at Maastricht in December Mr Major is obliged to tack and trim if he is to avoid a party split over European political, economic and monetary union. The social policy sections of Mr Kinnock's address were not unduly over-emphasised. He did not wish to sound like a socialist. The well-known promises to pensioners, mothers and low-paid workers were repeated, the assurances that most people will not have to pay higher taxes were underlined. The natural weapon at the Conservatives' disposal, the observation that taxes on incomes will rise under Labour, was thus deflected - with the addition of a counter-observation, that the added tax is likely to be further increased by the Conservatives.

Gold seam

Beyond that, the Labour leader expended his energies on a merciless onslaught on the Conservatives' efforts to inject some fiscal disciplines into the National Health Service, insisting that their reforms will lead to its privatisation. There is a seam of pure electoral gold in this for Labour, which Mr Kinnock quite understandably mined.

A pitch for the Liberal Democratic vote was contained in the Labour leader's remarks on constitutional reform. He promised a freedom of information act, a reformed House of Lords, devolution in Scotland, and Labour's tailor-made bill of rights. He even hinted at further open-minded debate on electoral reform. Absent a move to proportional representation for elections to the Commons, none of this would diminish the excessive power of the executive that Mr Kinnock hopes to head, but it may tempt some voters.

In short, yesterday's speech should be taken as a warning. The Conservatives have given themselves six to 10 months before an election must be held. They should use the time to develop a strategy which goes beyond derision of the Labour leader, his party, and all it stands for to one of considering seriously how the challenge of Mr Kinnock - that it is time for a change - can be overcome.

The greening of taxation

IF THE threat of global warming is taken even halfheartedly there is no alternative to energy taxes. The burning of fossil fuels such as oil and coal contributes a large proportion of the greenhouse gases that are regarded as certain to cause damaging climate change. Carbon dioxide, the most persistent of the gases, takes more than a century to dissipate, so that even if the world were to meet a target of, say, stabilising CO₂ emissions in 2000 at the level reached in 1990, there would be perceptible global warming in the first half of the 21st century. The only certain way of meeting such a target and thus beginning to curb the growth in emissions is by making the use of carbon-based energy more expensive.

This is the economic and scientific logic behind the European Commission's proposal to impose a tax equivalent to \$10 a barrel of oil by 2000. Some US scientists would challenge the argument, casting doubt on calculations, accepted by most of the world's scientists, of the effect of greenhouse gases. Others offer alternative alleviations, such as programmes of afforestation part of the purpose of which would be to create earthbound sinks for CO₂.

The correct response to this challenge is to adopt the precautionary approach the dissenting Americans may be right, but the risks inherent in their being wrong are so great that it is prudent to take measures to curb emissions now. Fiscal disincentives are preferable to bans or regulations, neither of which would be proof against evasion.

Greatest obstacle

What is not so clear-cut is the geo-political logic behind the Commission's proposal. The single greatest obstacle in the way of increasing the price of carbon-based fuels is that few countries or regions want to make the first move. Germany, Holland and Denmark are considering CO₂ taxes, but most members of the Community resist the idea. Their counter-argument is that the Community generates only 13 per cent of the world's CO₂ emissions. Increasing the price of energy within the EC would make its more energy-intensive

industries less competitive against the Japanese and the Americans, both of whom are opponents of taxation. The US is proving the most obstinate of them all.

US pressure

An EC lead would, however, be of great value. It would put pressure on the US, which accounts for nearly a quarter of the world's emissions, in advance of next June's earth summit in Rio de Janeiro. For the economic argument, the US is not all one way. To the extent that general taxation is reduced to offset increases in the costs of energy, the effect could be neutral. The Commission says that its proposals might result in a tax on EC growth of up to 0.1 per cent over the years 1993-2000.

Much depends upon the degree to which consumers respond to price increases or exhortation by using fuel more efficiently. The Japanese have done for their own special reasons, and as some US concerns are doing. Smart design could, by some calculations, halve the energy requirements of the industrialised countries. The British position is ambivalent. The government is adamant that it will not unilaterally tax carbon-based fuels. It is likely to be embarrassed by multilateral proposals if it is re-elected on a manifesto that includes a promise to privatise the coal mines. Under the EC proposals the cost of coal would rise 30.3 per cent by 1995. None of the extra revenue would go towards the industry. Against that its own stated green strategy suggests that if there is a likelihood of an EC agreement Britain would be wrong to veto it.

The government's record in the talks preceding the earth summit is not encouraging. It seems to have abandoned its support for a globally agreed set of targets and moved, instead, towards a "pledge and review" strategy of leaving it to individual countries to offer contributions to an overall reduction programme. This may reflect the reality of the current White House position, but Britain's role should be to support EC efforts to change it. Setting an example would be a first step.

Even a famous sea-faring nation like the Dutch can come adrift when trying to lead the 11 other European Community states on the long voyage to European political union.

Most of the convoy mutinied this week and daily refused to follow the change of tack proposed by the Dutch presidency's flagship. They demanded a return to the chart set out by the previous captaincy of Luxembourg. Only by that route, they said, could the convoy possibly reach harbour together.

Yet, out of this chaos emerges a new clarity and certainty: this is that the EC will reach some sort of agreement on political union at the Maastricht summit in December, and that it will closely resemble the draft produced by Luxembourg this summer. That is real progress. For the 10 co-mutiniers - only Belgium backed the Dutch - are now far more committed to trying to do a deal on the basis of the Luxembourg plan than they were when EC leaders nodded that plan through in June as "the basis for further negotiation".

It is not only that time now presses if the Maastricht deadline is to be

In the revolt against the Dutch plan, many of the 12 have sung the merits of the Luxembourg plan louder than they intended

met. It is also because, in the revolt against the Dutch plan, many of them have sung the merits of the Luxembourg plan louder than they ever intended to do - even, to some extent, cautious Britain.

Gauging the real state of play on political union is made harder by divisions inside individual EC governments and by some unholy alliances among them. At least at sea, of course, has been the Dutch government. Its prime minister, Mr Ruud Lubbers, has had to cope with a distracting budget crisis; its foreign minister, Mr Hans van den Broek, has been preoccupied by Yugoslavia; and its two political union experts - the minister for EC affairs and the ambassador in Brussels - have been at odds. But German ministers and diplomats have also given conflicting signals on the Dutch and Luxembourg drafts.

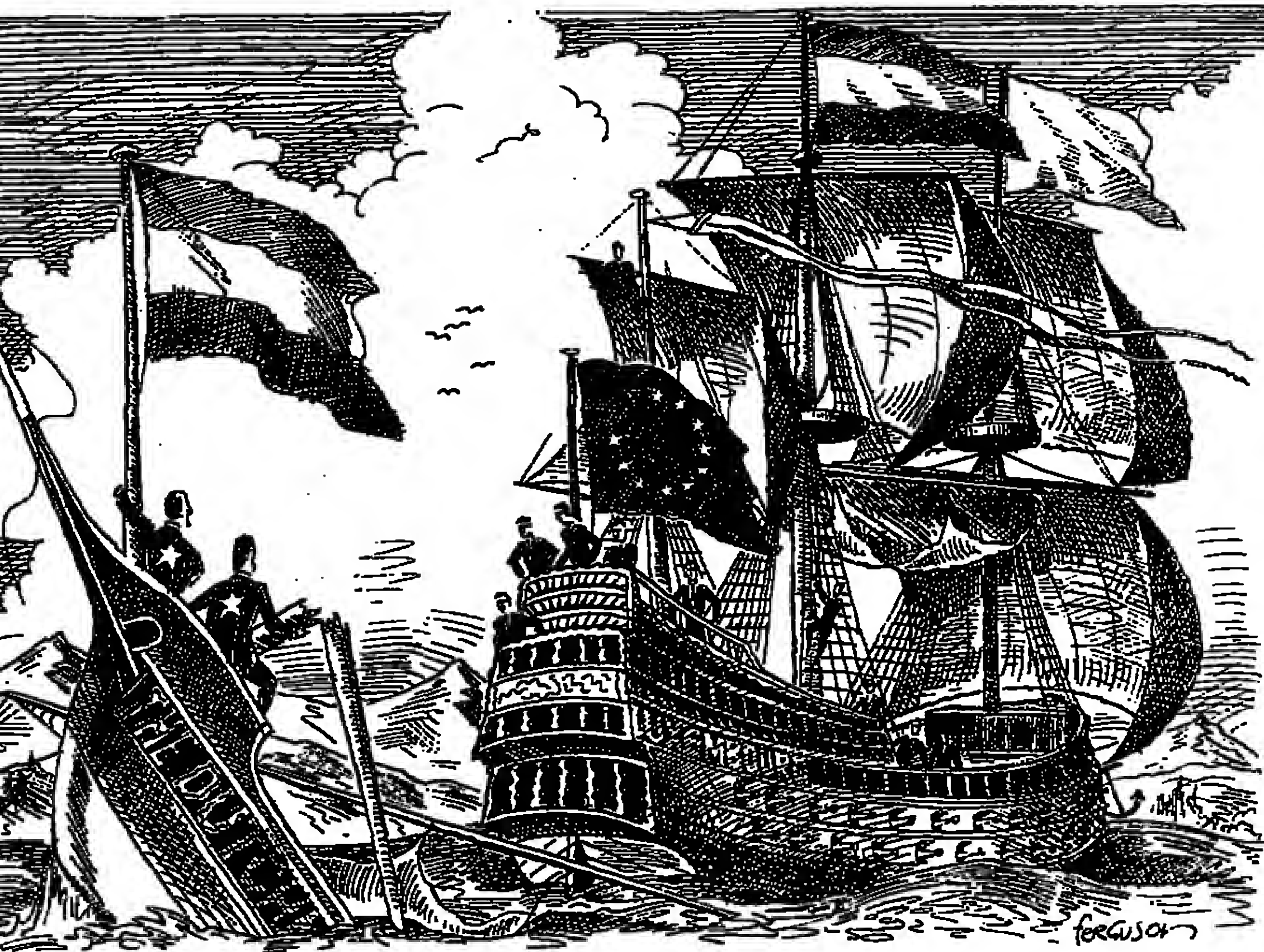
The mutineers are composed of two distinct groups. The "substantive" group contains, in Britain, Denmark, and Portugal, genuine opponents of the full-fledged federal approach of the Dutch. The "tactical" group contains countries such as Italy which is second to none in its desire to allow the EC into every area of political activity and in its enthusiasm for the European Parliament, but which sees the Luxembourg text as the only realistic basis for a deal at Maastricht.

This second group can now be guaranteed to rub Britain's nose in the Luxembourg text. Mr Douglas Hurd,

Germany has consistently maintained that agreement on European monetary union was linked to agreement on European political union. However, when the faster progress towards an Ecu deal, there is now some uncertainty in Bonn about how far Chancellor Helmut Kohl will push his demands for Ecu.

On paper, the German position is as radical in favour of reinforcing political structures as that of the Netherlands. Bonn favours a unitary structure incorporating foreign policy and internal security in the common Community system, rather than the "three pillar" approach of the Luxembourg text. It wants co-decision-making powers for the European Parliament, including the right to propose as well as veto legislation.

Bonn wants a simultaneous deal on Ecu and Ecu at Maastricht and is willing to fall back on the Luxem-

Out of the foundering of the Dutch plan for European political union, a new clarity of purpose has emerged, writes David Buchan
EC sails towards safe harbour

the UK foreign secretary, left Brussels on Monday night in no doubt about this. Over the next few weeks he will be chairing a series of Whitehall committees to see what the UK government can accept, and what it cannot, in the run-up to Maastricht.

The end-game has at last begun on the key points still dividing the Twelve: Treaty structure. Legal form has always been a battleground for the Community, even where its member states agree on their common goals. In 1995, all agreed on the need to pass more internal market laws by majority vote, but Britain thought a gentleman's agreement would suffice, while

others said this had to be enshrined in the Single European Act.

Likewise, all agree today on the need for the Twelve to act increasingly together in international affairs, but Britain wants to hone the existing co-operation between consenting foreign ministers, while others want to bring EC institutions (such as the Commission) and EC rules (such as majority voting) into the making of foreign policy.

Broadly speaking, only one real difference separates the Dutch and Luxembourg political union drafts. The former generally brings external and internal security policies within a single treaty chapter, but prevents the

Commission, Parliament and Court of Justice getting their hands on some of it. The latter creates three separate "pillars" of activity for the European Union - standard Community business, including economic and monetary union (Emu), foreign/security policy, and police/judicial co-operation. Yet, it does not rule out these pillars sliding together in the future. Thinking short-term about an election and treaty ratification by the House of Commons next year, the UK government prefers the Luxembourg approach. But the real difference is not enormous.

Foreign policy. Both the Luxembourg and Dutch drafts provide for

Where the main players stand

keon on federalism, anathema to Gaullist thinking, which still colours French foreign policy.

In this sense, France hovers somewhere in the middle between hesitant Britain and eager Germany. Diplomats reckon Paris will keep its final position open until a last-minute compromise with Bonn, around which the rest of the EC will be expected to rally.

Britain is the one country whose government never wanted Ecu or Ecu in the first place, and sees little gain from either. For this reason, it is particularly hard for the UK to horse-trade with others. At the top of the UK's Richter scale of political sensitivity are the propos-

als to make common foreign policy by majority vote and to aim for a common defence policy. These are followed very closely by the plans to give more law-making power to the Strasbourg parliament, which the House of Commons generally regards as an unworthy competitor. Britain's own proposals to give MEPs greater power to scrutinise EC spending and to take up citizens' grievances against EC institutions, have caused little controversy, or joy, among its partners.

The UK government also strongly opposes the extension of majority voting on social policy issues and labour market regulation. However, there are signs that it will agree to

the EC deciding more environmental legislation by majority vote.

In Italy, the transfer of large areas of sovereign power from the national parliament to enhanced EC political institutions is scarcely an issue. Yet Italy's government still found itself in an awkward position over the Dutch proposals. As a strong supporter of a federal Europe, it sympathised with several of the Dutch ideas. However, Italy felt these ideas could easily be moulded into the existing proposals tabled by Luxembourg and accepted by a majority of the 12 Italian states.

The Italian government is also unwilling to back any project which threatened to derail an already tight timetable to complete discussions on political union by December. This was made clear yesterday by Mr Gianni de Michelis, the foreign minister.

Pungent publication

"The destiny of nations depends on the manner in which they feed themselves." These Napoleonic-sounding words from the 18th century gastronomic sage, Antelme Brillat-Savarin, form the masthead of France's latest daily newspaper, *La Truffe*, launched on Monday. The motto aptly explains *La Truffe*'s mission of unravelling the tastier morsels of French news, buried just beneath the cluttered surface of routine life.

La Truffe is the brainchild of Jean Schall, who prepared the daily's launch and launch of the European, and Antoine Griset, a former director of *Le Monde*. "We are aiming for a well-informed public which listens to the news on the radio but does not buy a daily newspaper," says Griset. He reckons that 65 per cent of the first print run of 300,000 was sold. The aim is to settle down to a circulation of 50,000 in the next year, rising through the break-even point of 65,000 by the end of 1993.

The first issue carried details of a television crime series being prepared by the defending lawyer for Klaus Barbie, the Gestapo chief who died recently. However, *La Truffe* has so far avoided publishing any especially tasty tales. Only days before the launch, *La Truffe* received a legal summons, following a complaint from the French Mycology Association about a story (in an earlier edition) which alleged misuse of association funds. Like the fungus after which the newspaper is named, the story is staying underground for the moment.

Calm Camdessus

Michel Camdessus is not given to emotional displays; he wore just the trace of a smile yesterday, savouring

his appointment to a second five-year term as managing director of the International Monetary Fund. A fellow Frenchman once said that Camdessus should have ended his career as head of a small to medium-sized bank. But his affable manner, conciliatory skills and precious humour have catapulted him to be head of the French Treasury, governor of the Bank of France and now, as expected, to a second term at the IMF.

He came to Washington in 1987 with two handicaps: his English was wobbly, and he took office after an unusually public fracas between the European countries - who traditionally nominate the IMF managing director - over who should succeed Jacques de Larosiere. Recently he has fuelled suspicions that beneath the elite civil service image beats the heart of a caring Frenchman, delivering several speeches on the need to reduce global defence spending and curb arms sales.

Insiders say Camdessus has prepared a big speech on defence spending for the annual meeting of the IMF/World Bank in Bangkok. Camdessus may soon have a new nickname: Mr Disarmament.

Pöhl position
Karl Otto Pöhl, the former president of the Bundesbank, is to be busy in retirement. He will be a partner at Sal. Oppenheim, Germany's largest private bank; a director of Bertelsmann, the publisher; and a member of the supervisory board of Robeco, the Rotterdam-based investment group.

The Oppenheim appointment, long-rumoured, was confirmed yesterday. The Robeco job, also announced yesterday, is new but scarcely

OBSERVER



a surprise: Robeco is expanding into Germany and has a tradition of links with the great and good. Pöhl's presence may also help the group live down last year's embarrassing decision to stop repurchasing shares in Rodamco, its property investment fund, thus sending the price to a 20 per cent discount to the value of the fund's assets. The Amsterdam stock market was not amused.

Heavenly muse

"I Will See You in Heaven" - where animals don't bite" is the title of a new book, wherein celebrities and others ponder the nature of heaven. Father Michael Seed, the book's editor who works as ecumenical adviser to Cardinal Basil Hume, head of the British wing of the Roman Catholic church, obtained many responses and letters, including one from Prime Minister John Major, who writes: "There is much of what I conceive as Heaven in the poem 'The Kingdom of God' by Francis Thompson."

This revelation provides

almost infinite scope for psephologists. Some might detect a subtle pre-election warning to the opposition Labour party in the lines "Tis ye, 'tis your estranged faces. That miss the many splendoured thing." But theologically speaking, the following entry is rather more of a poser: Child: Do missionaries go to heaven and cannibals the other place? Father: Of course! Child: But what happens when the missionary is inside the cannibal? Royalties go to the Franciscan friars of the atonement.

Strategic choice

What will François Heidebourg, 42, director of London's International Institute for Strategic Studies, do next? He is leaving in a year's time at the end of a five-year contract, having turned down an invitation to stay on. His successor will be Bo Hult, 50, currently director of the Swedish Institute for International Affairs. Normally effervescent, Heidebourg is keeping his cards close to his chest, saying only that he is "probably" going to Paris.

A product of France's elite Ecole Nationale d'Administration, he can always return to the French Foreign Ministry. But there will be other suitors. His last job before the IISS was as a vice-president of Thomson-CSF, the French state-controlled defence electronics company.

Wrong caller

Caller to an Edinburgh mutual insurance company: "Could I speak to Graham Robertson?" Switchboard operator: "You'll have to be more specific; we've got about 17 of them."

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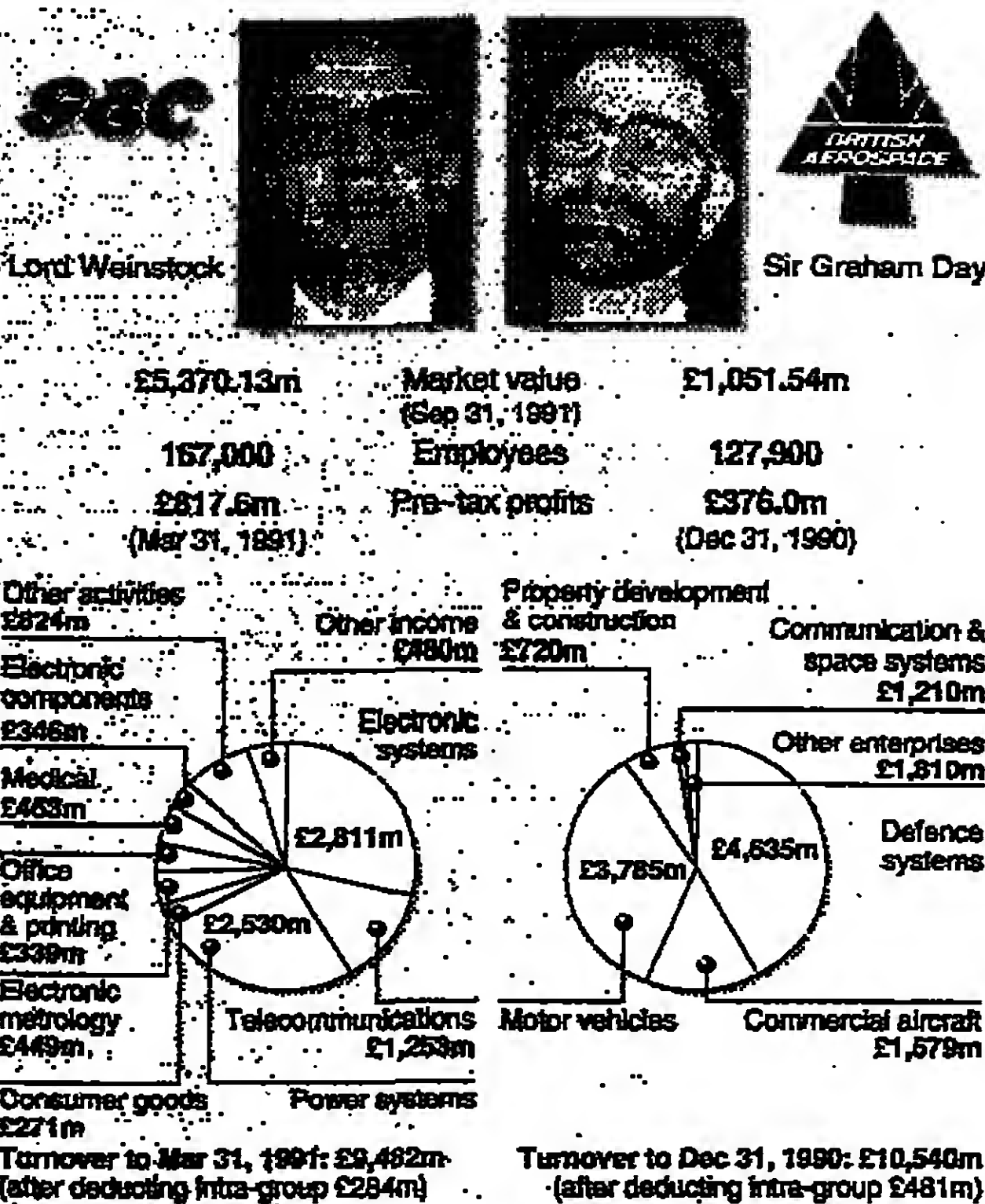
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The high price of help

Charles Leadbeater argues the case for a GEC-Bae link-up



In the past five years the General Electric Company has acted as a giant magnet in the British defence industry, drawing into its embrace most of the country's major defence contractors. Now, even larger object may start to feel GEC's pulling power - British Aerospace.

Bae has experienced an extraordinary run of events in the past week: a bungled rights issue, a profits warning, and the departure, after a boardroom battle, of Sir Roland Smith, the chairman. Yet far from concluding the drama, these scenes may only mark the end of the first act.

For in the defence and aerospace industry, insiders believe the crisis at Bae is deeper than it has so far acknowledged. To secure it may have to link up with GEC, led by Lord Weinstock, the managing director. GEC will be concerned about Bae's prospects because the aerospace group is one of its largest customers. The aircraft built by Bae house the electronic systems made by Marconi, GEC's main defence subsidiary. If Bae became so enfeebled that it fell into the hands of a foreign aerospace group, with its own electronics suppliers, or simply collapsed because of its military spending severely reduced the workload for its military aircraft factories, the consequences for GEC would be far-reaching.

Three concerns about Bae are likely to be uppermost in the minds of GEC executives. Finance. Bae's £432m rights issue may well be a flop, but more worrying is the possibility that it may be nowhere near enough to provide Bae with the financial ballast it needs. City analysts and defence industry executives believe it could need another £1bn.

The outcome of negotiations between the US government and Saudi Arabia over a second stage to the huge Al Yamamah arms programme, which has brought Bae, as prime contractor, huge revenues in the past few years, will be crucial. Bae could avert a financial crisis if it wins significant new Saudi orders.

But US aerospace and defence orders are increasingly confident they will win the lion's share of new orders in the wake of the Gulf war and the US government's more relaxed approach to supplying Saudi Arabia with advanced military technology.

If the Saudi orders are not forthcoming, Bae will need a far deeper financial restructuring than is currently planned. Management. Bae's management is in urgent need of strengthening. Bae, in its moment of crisis, has

appointed Sir Graham Day as an interim, non-executive chairman, who is already chairman of Cadbury-Schweppes and Powergen.

It is difficult for the remaining top executives such as Mr Dudley Eustace, Bae's finance director, to escape blame altogether for the embarrassingly rushed warning two weeks ago that the company's profits would be half the £300m the City had been expecting.

That will not have impressed GEC, which prides itself on its rigorous internal system of financial reporting. Strategy. Does Bae's current management have a clear sense of where it is headed? It plans to stick with four core businesses - defence, commercial aviation, cars and property. The trouble is that this looks like holding on to the diversified range of businesses which got Bae into its predicament in the first place.

Nor were Bae's more grandiose strategic plans entirely Sir Roland's creation. He departed

last Wednesday partly because he kept secret the merger negotiations with Trafalgar House, the construction, shipping and engineering group. The aim of the abortive merger was to turn Bae into a force in international civil engineering and construction contracting, able to compete with companies such as Bechtel of the US.

These ambitions may seem absurd now but earlier this year that vision was shared enthusiastically by Mr Dick Evans, the chief executive. So if Bae is in far deeper trouble than it has yet acknowledged, what could GEC do in these circumstances?

Bae is not an appetising prospect. GEC would be concerned it could be buying a financial black hole. Yet it would find it difficult to stand by while such a pivotal customer and partner floundered.

There could be opportunities to extending collaboration into formal joint ventures. Over the

past 18 months Bae and Marconi have grown closer, culminating in their failed joint bid for the Merlin helicopter contract. GEC would probably be interested in strengthening its missiles and space activities by acquiring Bae's.

But a much more ambitious tie-up could come on to the agenda. This is how it might work. GEC would form a consortium with a set of financial institutions. This vehicle, in which GEC would have a majority stake, would take in Bae, putting in new equity to provide it with long-term financial stability.

In exchange GEC would probably require two things from Bae - new management and a revised corporate strategy. Through the consortium GEC might acquire two seats on the Bae board. Most important, it would vet the appointment of a chairman and chief operating officer who would install tighter GEC-style financial and management systems.

It would probably reduce Bae to a smaller core of defence and aerospace interests. The Rover car subsidiary would be sold and the property division, run down, Bae's work for Airbus, the European aircraft consortium, might be hived off into a European joint venture. That would leave Bae with small jet airliner manufacture, defence activities and military aerospace.

Such a scenario is not a daydream. GEC and Bae have had tentative merger talks in the early 1980s and there have already been discussions in Whitehall about a tie-up. Defence industry executives believe the government, fearful that Bae might become so financially stricken it would have to turn to it for support, would not stand in the way. A precedent is the way GEC was encouraged by ministers two years ago to buy a chunk of Ferranti, the fraud-stricken electronics group.

Selling off Bae assets such as Rover would be politically controversial. However the most important obstacle might be GEC's caution. Lord Weinstock does not like entering talks on a possible deal unless he is virtually certain of succeeding.

The mess at Bae may not be as deep as some fear. It could limp on. Bae may calculate that GEC's help would come at too high a price. So nothing more than a kite might get off the ground. But what is certain is that the Bae drama is far from over and other players are waiting in the wings in case they are offered an appropriate part.

Edward Mortimer

Europe takes the blame

Australia's case against the CAP masks a deeper reliance on US friendship in south-east Asia



In the next few weeks trade unions and groups representing consumer, taxpayer, environmental and manufacturing interests throughout the European Community should expect to receive a pamphlet entitled *Are You Paying Too Much?* Its 12 pages set out, in a minimum of words and a maximum of cute little logos, simple graphs and tastefully coloured charts, the case against the Common Agricultural Policy. The arguments will be familiar enough to the leaders of such pressure groups, many of whom are used to reading them, albeit in less eye-catching form, in Financial Times editorials. Indeed, since pink is the keynote colour used in the pamphlet, their first reaction may be to think that the FT itself has decided to try to take its campaign to a wider public.

However, the pamphlet turns out to emanate from Australian embassies in EC capitals. It is the work of Neal Blewett, Australia's trade and overseas development minister. On a visit to Australia last week I was asked what I thought of this initiative. The askers were mainly diplomats and businessmen concerned to improve Euro-Australian relations. The Australia Council for Europe had brought us together in the hope of furthering that purpose.

No one in Australia has a good word to say for the CAP, and I did not go there to defend it. But I sensed a certain embarrassment in my hosts about Mr Blewett's pamphlet. They obviously feared it might be something of an own goal, reinforcing stereotypes about Australian gaucheness and perhaps stiffening resistance to Australia's arguments among European governments, which might not like this attempt to turn their own public opinion against their policies.

It is true that the pamphlet will probably not succeed in refreshing the parts of European public opinion that FT editorials cannot reach - any more than French pamphlets, explaining why France needs nuclear weapons and noting that New Zealand is further from Murrumbidgee than France is

from Chernobyl, have succeeded in reconciling Australian public opinion to French nuclear tests in the Pacific. The Australian pamphlet is indeed fairly crude. It compares food prices in Europe with those in Australia, which are not necessarily what Europeans could expect to pay for imported food even if all restrictions and price controls were abolished. And it makes no reference to the fact that Australian tariffs on industrial products, though reduced in recent years, are still significantly higher than those charged by the EC.

Still, all's fair in love and war, and the use of statistics to make political points must be regarded as a variant of the latter. In dealing with the Soviet Union and eastern Europe, west European governments have successfully asserted the principle that ideas, like trade, should flow freely across frontiers without

film *Death of a Princess* for the British government in 1980.

For it is to this Asia-Pacific region that Australia seeks to belong. Indeed, according to the foreign minister, Senator Gareth Evans, Australians "already see themselves as an integral part" of it. It is, he said last month, "entirely out of date" to think of Australia as "perched uncomfortably on the edge of Asia, surrounded by countries with different political, economic and social traditions, and really at a loss to find a place for itself". Yet, off the record, officials from those same countries still speak of Australia in very much those terms.

Hearing Australians describe what has happened to their country in the past 10 years reminded me of similar transformations in France and Spain: a bonfire of microeconomic restrictions and privileges, and a decisive opening of the economy to external com-

Australian prices are not necessarily what Europeans could expect to pay for imported food even if restrictions were abolished

needing government permission. It would be silly if they took offence at Australia for trying to put its case directly to the European public.

If Australian diplomats worry about this, it may be because they are used to dealing with Asian governments which have not yet come round to the principle in question - which are, in fact, highly sensitive even to implied criticism in the Australian media, let alone anything emanating directly from the Australian government. The Malaysian government, for instance, has taken exception to a TV soap opera portraying the life of Australian diplomats in an unnamed Moslem country, whose prickly ruler is given to making retroactive corrections in the text of his own inflammatory speeches. For the Australian government such incidents are no easier to shrug off than was the similar Saudi indignation over the TV

petition and influence. This has been initiated and presided over by an at least nominally left-wing government, which has been able in some degree to blunt the socially divisive impact of the changes. But there is a crucial difference: France and Spain have done it under the broad heading of integration into the EC, intensifying exchanges and building common institutions with neighbouring countries of broadly similar culture. Moreover, this process of integration has been going on within a clearly defined and stable framework of regional security, guaranteed by the active involvement of the US.

The situation in East Asia is very different. There is no Asian economic community, no Conference on Security and Co-operation in Asia, and the various sub-regional initiatives of Nato have long since perished, being replaced by a ragbag of bilateral arrangements.

LETTERS

Party politics essential if European parliament to have more powers

From Mr Ernst Steindorff

Sir, In your excellent reporting of the current European negotiations you seem to have overlooked one possibility. I am convinced that, while the German government is arguing that the powers of the European parliament should, for democratic reasons, be increased, it could have in mind other reasons also.

A European parliament with increased powers will, above all, be an important actor on the European scene. It can become an ally for any national government on the battlefield of European politics; the German government, possibly, could have this in mind and could be envisaging the day when it would have a larger number of German members in the European parliament as a consequence of

German unification. Yet, irrespective of new powers, the European parliament can as presently constituted hardly contribute to democracy. There are, for instance, some 60 German representatives in Strasbourg, while the German Bundestag comprises more than 600 members. Can the European parliament still "represent" the electorate, particularly if new states become members of the community and if, as a result, the number of representatives per state may have to be reduced?

Mr Frank Vibert's article ("Personal View: Making the community fit to welcome new members" September 18) prompts this question. And does not democracy at the community level presuppose that future policies of the community are formulated by

political parties rather than by a "neutral" commission, or by the council, in order that people can opt for the current majority or the opposition when it comes to the election of the European parliament?

The answer must be "yes". This means that the existence of European parties and of a stable majority and opposition is a prerequisite for larger powers of the future European parliament just as economic convergence is a condition for monetary union. Demands for more democracy in the community by way of parliament cannot be taken seriously as long as the electorate is not offered a clear choice between parties.

Ernst Steindorff, Hofstrumstrasse 25, 8000 München 71, Germany

Resolution not all that it appeared to be

From Mr Edmund Dell

Sir, Mr Ken Gill of MSF criticises me (Letters, September 30) for saying that the TUC's resolution on Japanese inward investment was "absurd, ridiculous and damaging". It is indeed absurd and ridiculous for the TUC to compel its general secretary, Mr Norman Willis, to undertake his present heroic efforts to explain that the resolution did not mean what it appears to mean, in fact really quite the opposite.

The unregenerate image of British trade union insularity exemplified in Mr Gill's letter and in his resolution is certainly damaging and not only to inward investment.

Edmund Dell, president, London Chamber of Commerce and Industry, 69 Cannon Street, London EC4

No obligation

From Mr Jukka Knuuti

Sir, The sentence of your article, "Finland and Soviet Union form joint venture for wood supply" (September 13), regarding the signing by Finnish and German defence ministries of an agreement on military hardware formerly owned by the now-defunct East German army, said: "A 43-year-old treaty of friendship, co-operation and mutual assistance with Moscow obliges Finland to equip part of its defence forces with Soviet military equipment."

There is absolutely nothing in the Treaty of Friendship, Co-operation and Mutual Assistance which obliges us to equip our defence forces with Soviet-made hardware.

The Finnish defence forces have some Soviet-made military equipment, such as MiG 21bis fighters, tanks and artillery pieces. But it has nothing to do with the FCMA treaty. We have bought them as a part of our bilateral barter trade with the Soviet Union. Jukka Knuuti, special adviser, International Security Affairs, Ministry of Defence, Finland

Fax service
LETTERS may be faxed on 071-473 3000. They should be clearly typed, double-spaced, and must be handwritten. Please not fax machine for this resolution.

Bad deal for bibliophiles

From Ms Elizabeth Balsom

Sir, British bibliophiles get a raw deal on several fronts. Mr Richard Turner writes (Letters, September 21) that Professor Stephen Hawking's *A Brief History of Time* is not yet available in paperback. In the US it has been published in this format for some considerable time - I bought my own copy there last year. Why, therefore, cannot British readers take advantage of the lower priced version?

Defenders of the Net Book Agreement must surely be aware that in cities like New York individual bookstores selling books at full price flourish alongside a large discount chain - their ambience is rather different and, in my experience, their sales assistants more knowledgeable. Perhaps it is a question of finding your market niche.

The NBA aside, can anyone explain to me why ordering a book is such a protracted process in Britain, requiring a wait of at least three weeks even for a book that has been widely reviewed, whereas in Germany it takes only a day?

(I too have not finished Prof Hawking's book.)
Elizabeth Balsom, 16 Colney Road, London SW15

Too early to talk of the death of independent financial advisers

From Mr Ben Carroll

Sir, To independent financial advisers (IFAs) like ourselves, the loss of a big player such as NatWest is regrettable. Doubtless it will weaken the position of IFAs in a competitive financial services market. But the general blurring of true independent advice, of which this is a symptom, is even more regrettable for the customer. With tied agency and now "badging" deemed acceptable practices, the Securities and Investments Board with its Retail Review must take much of the blame for this.

Nevertheless, NatWest's move will hardly deal a "death blow" ("NatWest to link with life insurer" September 27) to our robust IFA sector. We will continue for as long as the public demands best advice. Given the choice, few would dispute this is what the British public prefers.

Ben Carroll, managing director, personal financial services, Noble Louides & Partners, Norfolk House, Wellesley Road, Croydon

From Ms Joanne Hindle
Sir, The articles, "Desperately seeking success" and "Lex Column - mutuals" (September 26) suggest that the

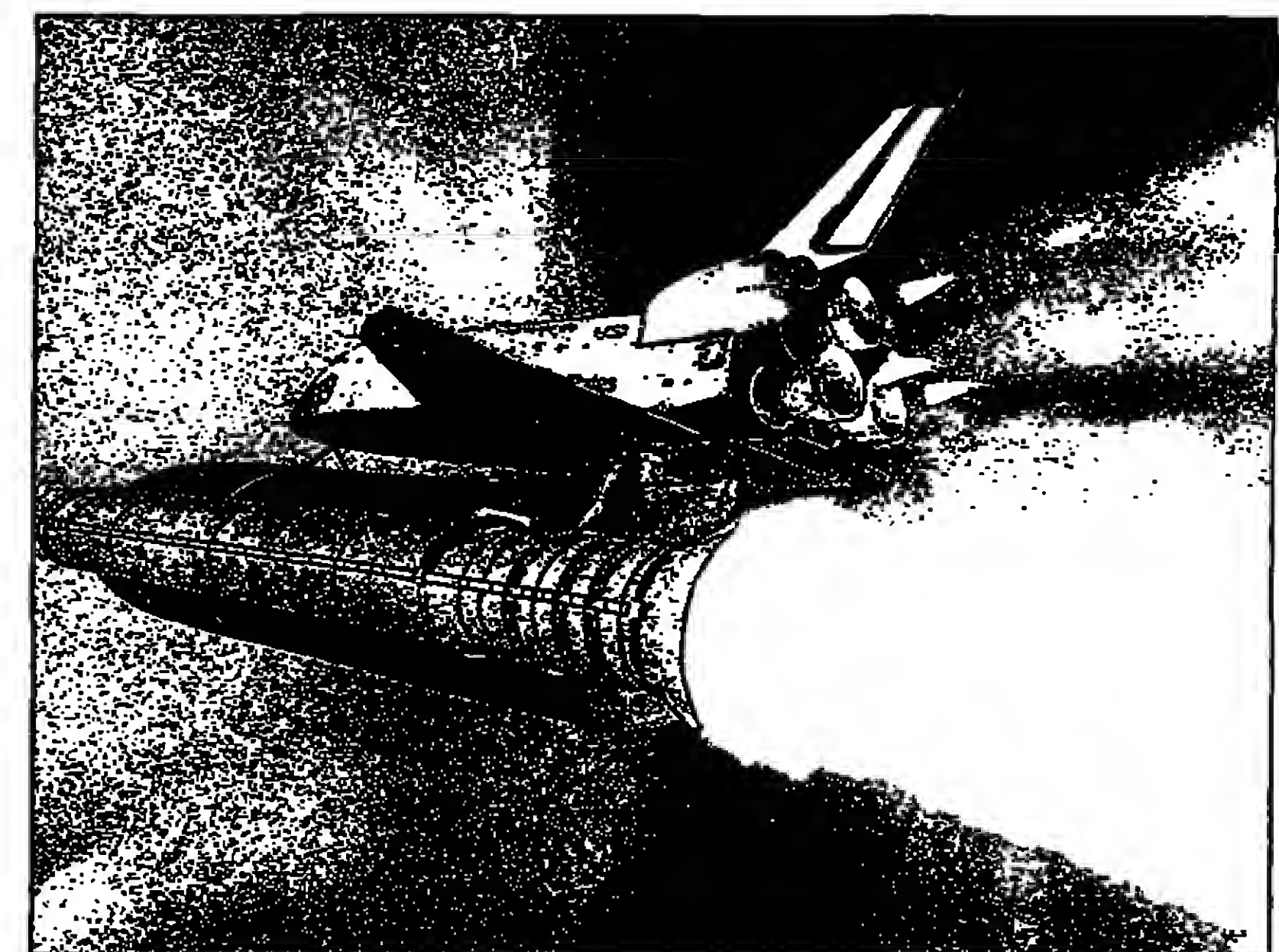
costs of compliance have forced many independent financial advisers to become tied agents, thus reducing the number of sales outlets and potential business expansion plans for those mutual insurers which supported the IFA market.

While I would agree that the costs of compliance have put many IFAs in the UK out of business there are still well over 20,000 licensed independent financial advisers nationwide. However, compliance costs are expensive and we are currently lobbying on behalf of our members (over 4,000 IFA firms) in Westminster and Brussels for these to be reduced as the European Directive on Capital Adequacy, should it come into effect, will, I believe, force a third to a half of them to cease trading.

Our organisation is 75 per cent funded by some 31 sponsors, all of which have agreed to continue contributing for a further three years to our £3m annual budget to raise consumer awareness of independent financial advice.

Joanne Hindle, chief executive officer, IFA Promotion, 4th floor, 25 Grenville Street, London EC1

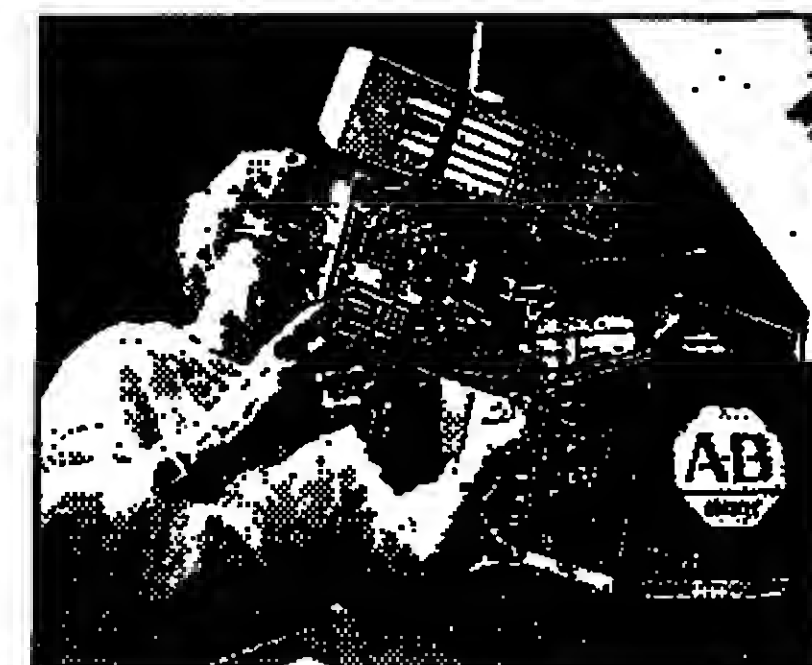
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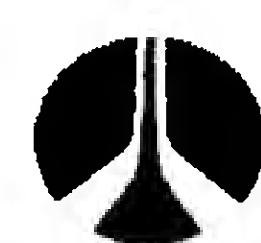
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INTERNATIONAL COMPANIES AND FINANCE

Sears tumbles after 'worst conditions for 20 years'

By John Thornhill in London

PRE-TAX profits at Sears fell to \$4.6m (\$8m) from \$52.4m as the UK speciality retailing, home shopping and property group confronted the "worst trading conditions in over 20 years".

The effects of the recession accounted for a sharp drop in profitability, but the decline was exacerbated by \$20.1m of exceptional costs relating to the disposal of the Horne Brothers menswear business and the imposition of higher value added tax, which was estimated to have cost \$7.5m.

Operating profits in the six months to July 31, excluding discontinued businesses, fell to \$25m from \$49.4m, but the pre-tax figure was dragged further

down by \$18.2m of exceptional disposal and reorganisation costs, against a \$20.6m credit. Sears, one of the UK's biggest retailers with 4,000 outlets, reported a 4 per cent decline in sales to \$994m.

Profits from Sears' retailing chains, which include Olympus sportswear, Wallis and Warehouse women'swear and several footwear outlets, fell sharply to \$4.6m from \$22m.

British Shoe Corporation, in the process of substantial reorganisation, recorded its first loss, and the Selfridges department store was hit badly by the fall in tourism resulting from the Gulf war.

At the Freemans home shopping business, trading profits

grew from \$14m to \$14.3m. But property profits fell from \$5.1m to \$200,000 and rental income yielded \$5.3m against \$8.1m.

Mr Geoffrey Maitland Smith, chairman, said: "Sales patterns are showing us very clearly that the market has bottomed out and that we are now on a level." But he added that he could see little sign of an immediate improvement in consumer spending. Sears hinted that it expected to keep the final dividend.

He added that the strength of the balance sheet would enable Sears to expand by acquisition and he identified continental Europe as an area for such growth.

Lex, Page 16

Dan Air parent seeks £49.3m via share issue

By Jane Fuller in London

DAVIES & Newman Holdings, parent company of Dan Air, the UK independent airline, is almost refloating itself on the London stock market with the issue of 107.5m shares to raise £49.3m (\$96.4m).

The group nearly went into liquidation last autumn, and special fees to its banks connected with a stay of execution have amounted to \$3.75m.

Mr David James, the company director who has run the group since the departure of Mr Frederick Newman as chairman in November, said: "We are re-creating a company without letting it go bust. I can't think of another company with negative net asset value that has been recapitalised at this level."

The number of shares involved in the placing and open offer is more than 15 times the 7m previously in issue, of which the Newman family controlled 62 per cent.

If the family does not take up any of its entitlement, its stake will fall to about 4 per cent. County NatWest Wood Mackenzie, the broker, has conditionally placed the shares at 50p each with 19 institutions, most of which did not previously have holdings in the group. The market price opened at 155p yesterday and closed at 70p, valuing the group at \$4.9m.

The \$49.3m raised will plug a balance sheet hole. By the end of 1990, net assets had fallen to £15m after a \$38m pre-tax loss. An interim loss of \$30m had knocked the group into negative net worth. The rescue rebuilds net asset value to \$44.4m on a pro forma basis for June 30.

Mr James said debt had peaked at \$81m during the Gulf war and was just over \$35m yesterday. Mr Robin Alington Maguire, assistant director of corporate finance at Baring Brothers, the financial adviser, said: "I can remember at least three times when a particular point in the negotiations has had to be solved, or the group would have gone bust there and then."

Details, Page 24

Six-legged Viag runs into spotlight

David Goodhart on a German group losing anonymity by being busy

VIAG has emerged from the shadows. As the third largest of Germany's diversified utilities, behind Veba and RWE, it attracted little attention when the state sold its final 50 per cent share in the company in May 1988.

But the last two years has seen a flurry of acquisition activity which has more than doubled sales and given the company three new legs - glass, fire-proof technology/ceramics and trading services - to add to the three it already had in energy, aluminium and chemicals. Viag is now, by sales, the 11th biggest company in Germany and the 32nd biggest in Europe.

The speed at which this expansion has been undertaken, unusual for a German company, is partly a function of the release from state control, says Mr Georg Obermeier, a director of Viag.

"We viewed like a private sector company in many respects but state ownership did hold us back. We had a queue of ideas we wanted to put into practice when we were finally privatised."

Just as striking is the way in which Viag has grown. To outsiders, the company appears to be a muddle of part and cross-shareholdings. But Viag has intentionally limited its holding to just more than 50 per cent in many of the main companies in its six sectors - for example, Didier-Werk in ceramics and Gerresheimer Glas in glass - which have



Georg Obermeier: Viag is a 'living organism'

remained independent stock market listed companies.

Mr Obermeier explains: "That has the advantage of reducing our investment burden but, more important, it is a good discipline for the managers. Being answerable to independent shareholders keeps them on their toes."

There are exceptions to this rule. The VAW aluminium company is 100 per cent-owned, although Mr Obermeier says a part disposal is not ruled out. Viag also wants to reduce its 54 per cent holding in Schmelbach-Lubeca, acquired in May following the \$300m purchase of Continental Can Europe, part of a large expansion of Viag's packaging interests.

Viag's loose holding structure is rare in Germany, although Metallgesellschaft, the metals, engineering and

minerals group, has something similar. Viag expects turnover this year to approach DM25bn (\$15bn) while for the medium term the group's sales target is DM30bn. But Mr Obermeier adds: "Of course, it is earnings, not sales, which are our first concern."

Earnings have not risen as fast as sales during the past three years, partly because Viag's largest single acquisition was the trading company Klöckner, which has a low earnings to sales ratio.

This year, weak trading conditions in the US have hit aluminium, chemicals and ceramics. This may temporarily stop the dividend increases that shareholders have become accustomed to, especially in view of the DM6bn investment programme (excluding east German investment) that Viag has planned for the next four years.

Viag's diversification is aimed at countering long-term earnings stagnation in energy, aluminium and bulk chemicals; and the cash generating power of the energy sector has provided the means, especially since provisions have been sharply reduced following Germany's decision not to go ahead with its own nuclear waste reprocessing system.

High value-added metallurgy and high-growth, low-competition packaging are the two target areas for 1991. In metallurgy, Viag recently bought two companies from the Thurn

and Taxis private empire, Unidol and Doduco-Edelmetall, with combined sales of DM640m.

To claim packaging as a growth sector might seem curious, given the pressure in Germany from the environmental lobby to reduce packaging, and thus household waste. A law which comes into effect from the end of this year, gives German consumers the right to return all packaging to retailers and shopkeepers the right to return it to manufacturers.

But Mr Obermeier points out that packaging will continue to be needed - it will just have to be more easily recycled to avoid waste. For manufacturers, such as Viag, that use a lot of easily recycled materials such as glass and aluminium, an increased rate of recycling might be good for business.

Viag's diversification strategy has had its problems. Ceramics is a highly competitive sector, so there must be a question mark over the acquisition of the majority stake in Didier-Werk. Mr Obermeier speculates that the stake may be reduced. He is not opposed to divestments in general. "We are a living organism; we must sell things, too."

Viag's share structure is typically German in that it effectively precludes a hostile bid. At least 40 per cent of the company is in friendly hands; indeed, given that some of those hands, such as Bayernwerk, belong in part to Viag, it is possible to argue that the company owns itself.

AEG studies sale of cables unit

By Andrew Fisher in Frankfurt

AEG, the loss-making subsidiary of the Daimler-Benz motor and industrial group of Germany, is talking with several companies about the possible sale of its profitable cable-making operation, which last year had a turnover of DM1.9bn (\$1.1bn).

The company said it wanted to sell because AEG Kabel, which is mainly active in the domestic telecommunications and electricity cable markets, needed too high a level of investment to make it competitive in Europe after 1992.

AEG declined to say with which companies it was talking, or to confirm reports that the front-runner was a UK concern, possibly BICC. Other big cable companies in Europe include Pirelli of Italy, Germany's Siemens, and Alcatel of France.

Nor would it mention a possible price. AEG has also said it wants to sell or close its loss-making Olympia office equipment division. The AEG Kabel sale will not include AEG's cable products for car electronics, which have a turnover of

DM200m. These are being put into a joint operation with Deutsche Aerospace, another Daimler subsidiary.

AEG owns 99.3 per cent of AEG Kabel. The remaining shares have recently traded at up to DM600m, giving a market capitalisation of DM1.1bn. The subsidiary last year earned a net profit of DM59m.

AEG, whose main operations cover electrical components, rail transport, automation, and electronics, expects to make a further operating loss this year.

Brewer expands by buying stake

BINDING-BRAUEREI, the Frankfurt brewer, has bought a stake in Dortmund's Aktien-Brauerei (DAB) from privately-held German food group August Oetker, Reuter reports.

The management board chairman at Binding, Mr Klaus Peter Brück, said his company aimed to take a majority stake eventually, but there would be no explicit offer for outstanding shares.

Binding said it was using a DM4m (\$2.3m) rise in nominal capital to finance the deal.

Binding, one of Germany's leading breweries, has annual sales of 900m litres of beer.

AGF slips as claims rise

ASSURANCES Générales de France (AGF), the second largest state-owned insurer, yesterday reported a slight decline in first-half profits, affected by higher-than-usual car theft claims and pressure on industrial risk premiums, writes William Dawkins in Paris.

Group turnover rose 19.1 per cent from FF22.7bn (\$4bn) in the first half of last year to FF27.1bn in the six months to June. The underlying gain came down to 10.2 per cent adjusting for acquisitions. Net profits fell 4.5 per cent over the same period, from FF1.92bn to FF1.53bn, said the group.

The group's first-half profit

was equivalent to two-thirds of the earnings recorded in the whole of last year but it said that the flow of earnings was irregular in the current six months.

AGF Vie, the life division, saw a 15.7 per cent rise in turnover to FF9bn helped by the popularity of a new retirement policy. However, its profits contribution was unchanged, at nearly FF1bn.

The group said that AGF Iart, the non-life division, reported turnover of FF7.8bn. Profits fell to FF20m because of a rise in claims for car thefts and damage and "inadequate" premiums on industrial risks.

Interim loss at Mondadori

MONDADORI, the Italian publishing group controlled by Mr Silvio Berlusconi's Fininvest concern, reported a £6.3bn (\$3m) loss in the first half of this year before extraordinary items and minority interests, writes Halg Simonian in Milan.

However, the company implied that its results should improve in the second half due to a sharp reduction in debt following a restructuring.

The year-long battle for control ended with an agreement in May that Mr Berlusconi would keep Mondadori's magazine and book publishing interests, while Mr Carlo De Benedetti, the Italian industrialist,

took La Repubblica, Italy's biggest selling newspaper, L'Espresso, the second most popular weekly news magazine, and a chain of regional newspapers.

Group sales are not directly comparable, but, adjusted for the changes, turnover rose 5 per cent to L716bn.

Both magazine sales and advertising revenue had held up well in the first half Mondadori said. However, turnover in book publishing dropped by almost 9 per cent to L154bn.

The divorce with Mr De Benedetti improved group finances: net debt fell to L97bn at the end of June against L712bn at the end of last year.

Royale Belge up midway

GROUPE Royale Belge, the Brussels-based insurer, yesterday said that, judging from its first-half results, trading profits for 1991 would rise by some 10 per cent against 1990, writes Andrew Hill in Brussels.

Before tax and transfer to reserves, the group realised a profit of BFR3.4bn (\$99m). No comparative figures were published, but the company said the first-half figure represented 77 per cent of the total profits for 1990. Trading profits were BFR1.79bn in the first half and net capital gains were BFR1.72bn.

At the parent company, however, interim profits before tax and transfer to

reserves slipped to BFR2.89bn from BFR3.76bn, on turnover slightly higher at BFR26.2bn from BFR25.1bn.

Group turnover reached BFR46.2bn in the first six months. Royale Belge said that the simplified structure of its insurance operations - co-ordinating management of its subsidiaries' brokers from the centre - was bearing fruit. The company said it was considering grouping these activities as individual or company insurance.

Since March, some 47 per cent of Royale Belge has been controlled by the French insurance company Union des Assurances de Paris.



CENTRAL BANK OF NIGERIA

Press Statement

ATTEMPTED FRAUDULENT TRANSFER OF FUNDS

The Central Bank of Nigeria has become aware of attempts being made by some unknown persons to defraud some overseas corporations and individual business-men. These attempts take the form of circular letters or unauthenticated fax or telex messages relating to purported approved transfer of funds running into millions of U.S. Dollars arising from excess claims on some alleged foreign contracts awarded between 1979 and 1983 in Nigeria.

2. The authors of these circular letters who always use Nigerian names are believed to be part of a syndicate of international tricksters out to dupe the gullible overseas recipients who may fall their victims. In these circular letters, they seek to solicit the support of the recipients to help them transfer the funds from Nigeria to offshore bank accounts with a promise to share the illegal proceeds with them. They request from the would-be collaborators blank

but signed corporate stationery including proforma invoices, a nominated bank account number to receive the funds, the nominated bank address etc.

3. These tricksters, have in a number of cases, succeeded in collecting huge sums of money from some overseas collaborators for what they often describe as local taxes or levies and expenses to bribe government officials to facilitate release of the funds. They produce fake documents purporting them to be the initial contracts, official approvals and payment order instructions signed by some officials of the Federal Ministry of Finance and the Central Bank of Nigeria in order to convince their collaborators that action has been completed at their end for the transfer of the funds.


4. Enquiries addressed to the Central Bank of Nigeria relating to these fraudulent attempts have not only come as a surprise but have also been a source

of embarrassment. The Central Bank of Nigeria, therefore, wishes to advise all recipients of these fraudulent letters, unauthenticated fax or telex messages that they do not emanate from the Bank and that the Bank has no knowledge or record whatsoever of the purported claims or transfers or even the related alleged contracts.

5. The Central Bank of Nigeria wishes also to use this medium to appeal to all recipients to exercise caution and to contact their local law enforcement agencies or the International Police Organisation nearest to them in order to help track these international crooks. The Bank will bear no responsibility for any loss sustained by any person or corporation that fails to heed this warning in the hope of making quick money.

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NORTHWEST AIRLINES

Northwest Airlines Inc.

Barclays de Zoete Wood in New York and
Tulco acted as private placement agent
for US\$102,000,000 of secured loan
certificates due 2013, for the leveraged
lease financing of one Boeing 747-451
aircraft.

JANUARY 1991

A growing strength in primary markets.



INTERNATIONAL CAPITAL MARKETS

Ontario in fifth return to sector with C\$750m deal

By Richard Waters in London

THE CURRENT healthy appetite of international investors for Canadian dollar bonds was yesterday tested to the full by Ontario - and proved itself well up to the task.

The market is now braced for another large issue from a Canadian province, possibly

INTERNATIONAL BONDS

this week.

The heavy-borrowing province of Ontario continued the recent spate of Canadian dollar issues with its return to this sector of the international bond markets for the fifth time this year, with a hefty C\$750m deal.

The 10-year issue was brought at a comparatively tight 50 basis points over the benchmark Canadian government bond - exactly the same yield spread as Ontario's C\$750m five-year issue, lead-managed last month by Merrill Lynch.

The market has seen plenty of paper from Ontario, and some feared its appetite might have been satiated.

However, coming after British Gas' tightly-priced 10-year issue at the start of the week, which was brought at a spread of only 26 basis points, Ontario received a healthy reception.

Its existing issues have also done well: the spread on the five-year bonds has narrowed to around 40 basis points, while a 10-year issue earlier in the year has also narrowed around 10 basis points to trade at a spread of 50.

Traders generally reported good demand in Hong Kong and Japan, as well as from institutions in the UK and Germany.

However, the managers were left with some bonds, and there were fears in some quarters that it will take the market some time to digest the issue, forcing other potential issuers to look at shorter maturities.

The issue was trading slightly below the fixed re-offer price of 99.56 later in the day, in line with a slight fall in the government bond market.

National Bank of Canada, the country's sixth largest commercial bank, also took advantage of the enthusiasm for the Canadian dollar with a C\$100m five-year issue - later raised to C\$150m - by its wholly-owned subsidiary, National Bank Mortgage Corp.

At a yield spread of 77 basis points and a wide syndicate of banks to sell the issue, the bonds found strong demand amongst continental European retail investors, particularly in Benelux countries.

Enthusiasm in the Canadian dollar sector is such that shortage of supply is likely to be a bigger obstacle than lack

of demand, traders said. "You could throw anything at this market at the moment and it would stick," one said.

With no swap opportunities, though, only borrowers with Canadian dollar liabilities will be interested, and the provinces currently head the list.

Yesterday, the Canadian dollar was showing a pick-up over the US dollar of around 160 basis points, 10 to 15 basis points less than a couple of months ago, but still a big opportunity for investors willing to believe that the Canadian dollar offers no risk against the US dollar.

Elsewhere, Municipality Finance, the funding arm of the Finnish municipal governments which is triple-A rated by Standard and Poor's, made its expected debut in the

Euromarkets with a Ecu240m issue of five-year bonds. Generally priced at 23 basis points over the benchmark five-year Belgium issue and 12 over the comparable Nordic Investment Bank, the issue appeared to find good demand and was trading slightly ahead of its fixed reoffer price of 100.10 later in the day.

The European Investment Bank's A\$400m 10-year bond, launched on Monday, was priced yesterday in Australia at 99.43, representing a yield of 8 basis points over the benchmark Commonwealth of Australia bond.

Spanish regulators act over troubled bank

By Peter Bruce in Madrid

SPAIN'S financial regulators were enjoying a rare chance to flex their muscles in public yesterday after a small private bank went into default in the interbank market late on Monday.

The Bank of Spain stepped in to prevent control of Banco Europeo de Finanzas going to a local broker group after it had failed to cover Pta17bn (\$160m) of outstanding debt.

The central bank yesterday placed the affairs in the hands of a judge, who will appoint administrators.

Later yesterday, the troubled bank's stockbroker arm, Eurocapital, was taken over by the wing of the Spanish securities commission (CNMV), which named three supervisors to its board in an effort to ensure it is able to meet its obligations.

Banco Europeo de Finanzas was founded in 1988 by Mr Alvaro Garcia Lomas, a powerful and well-connected former industrialist.

A number of individuals, keen to take advantage of the rapid modernisation and liberalisation of Spain's financial markets, were able to raise enough money to set up small empires in the late 1980s.

The idea was to specialise in areas of too narrow an interest to the country's large banks, and some, such as the Mer-capital group, have been reasonably successful.

In most cases, though, the niches have blurred as the new boutiques chase the same dwindling number of clients in corporate banking, personal banking, mergers and acquisitions and fund management.

Many of the early pioneers have since had to seek fresh capital injections, often from foreign institutions keen to enter the Spanish markets.

Banco Europeo de Finanzas appears

to have been an extremely ambitious enterprise, buying into Eurocapital, a bank in Puerto Rico (and subsequently resold) and entering factoring and leasing joint ventures.

It bought large and expensive accommodation in Madrid and was rapidly opening offices around the country. Yet by Monday the bank held just Pta19.9bn in client funds.

Trouble had been brewing for some time. Eurocapital was fined Pta100m last year for falsifying share applications during the flotation in 1989 of Repsol.

Early this year its auditors forced it to revise its Pta14m profits for 1990 down to a Pta4m loss.

The mother bank reported profits of Pta45m last year, down from Pta142m in 1989.

While the effects of the bankruptcy are unlikely to be felt widely, swift

action by the Spanish regulators is designed to improve the image of the Spanish financial markets abroad.

Rival brokers were also being generous to Eurocapital yesterday.

Mr Jaime Espinosa, founding partner of Maxwell Espinosa, said that although commissions in the stock market were falling dangerously low, he did not think that the CNMV's action implied any fundamental problems at Eurocapital.

"The market is so tightly regulated here it would be impossible for a broker to go bankrupt," he said.

But the failure of Banco Europeo is bound to lead to new questions about banking licences issued by the Bank of Spain, which has been criticised recently for allegedly not taking sufficient care when processing the Bank of Credit and Commerce International application in 1983.

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A timely arrival in the City of London

Michio Nakamoto and Emiko Terazono report on Japan's Norinchukin Bank

NORINCHUKIN Bank, the largest Japanese bank for agricultural, fisheries and forestry co-operatives, may still be little-known in the UK, but its ample resources means it is well placed to help fill the gap left by the large number of banks that have had to curb activities to get their balance sheets in order.

Earlier this year, Norinchukin celebrated its arrival in the City of London after a six-year wait for a UK banking licence.

The arrival of such a large, well-capitalised bank was welcomed not only by bankers in London but also by the UK authorities because it offered some relief during a period which has seen banking activity shrink in the face of a rash of bad loans and the property market downturn.

At the end of March, the bank had assets of Y35,827bn up from Y35,827bn in 1990. Its consolidated capital adequacy ratio was 8.81 per cent at the end of March, still comfortably above the internationally-required 8 per cent level.

While down from last year's Y21,817bn, its deposits, over 80 per cent of which come from the prefectural credit co-operatives of co-operatives, amounted to Y20,818bn. Norinchukin ranks first among Japanese banks in terms of domestic fund procurement through

deposits and debentures. It is also a significant investor in the Japanese securities and government bond markets, with the value of its securities holdings amounting to Y11,580bn, against last year's figure of Y12,569bn, against an average for Japan's 12 city banks of Y8,569.5bn.

Until the recent downgrading by Moody's, Norinchukin was one of only two Japanese banks, and one of only a hand-

ful worldwide, to have retained triple-A ratings by Moody's and Standard & Poor's.

The higher interest rate environment in Japan and widespread changes in domestic and foreign banks' primary sector, its main customer base, are the main reasons that prompted Moody's downgrading.

The profitability of the primary sector is no longer guaranteed in the face of growing foreign pressure to open the country's agricultural markets to imports.

The changing domestic environment has meant Norinchukin has had to look increasingly overseas to improve

profitability, as well as diversify its investments and improve returns on assets.

But the bank is still regulated by the Norinchukin Bank Law, which has prevented it from over-extending. The law restricts lending by the bank to the primary sector and public and private bodies that contribute to the development of the primary sector.

The timing of its move into London looks astute, in reality

it was dictated by factors outside the bank's control.

A representative office was set up in 1985. But, along with a growing number of Japanese regional banks eager to set up shop in London, Norinchukin was prevented from opening a branch until Tokyo extended membership to the Tokyo Stock Exchange to wait-listed UK securities companies.

With hindsight, the political hitch that prevented it from obtaining a UK banking licence was a blessing in disguise. Norinchukin has emerged unscathed from the lending spree of the past decade which has left the Japanese city

banks nursing some deep wounds.

So far it has been active mainly in syndicated loans to sovereign entities, such as the Bank of Greece. Other borrowers include IMI and Credito Sportivo of Italy and Oiko Bank of Finland.

While margins on the whole have widened, the low-risk lending projects Norinchukin is allowed to participate in do not offer the kind of returns it is keen to pursue. And for a bank with the kind of capital strength Norinchukin enjoys, the move into London, while it is still highly regulated, creates an awkward situation.

"We must look like a bank that doesn't take credit risks," said Mr Yoshiyuki Hata, deputy general manager of the London branch.

Japan's Ministry of Finance, while recognising the need to loosen the grip on Norinchukin's investments, still remains tight-lipped about the extent of its plans for deregulating its domestic operations.

With its move into London, where it has had a securities subsidiary since 1987, Norinchukin is following fellow Japanese banks and preparing for the day when it is given greater freedom.

Meanwhile its substantial role in the Euryon money market is set to grow with its presence in London, which enables it to provide customers with 24-hour trading.

The need to meet the Bank for International Settlements' capital adequacy ratio in the face of falling asset values has led many leading players, not least the Japanese, to curb their money market activities.

The bank has raised its profile on the Eurobond market, adding its name as co-manager or lead manager to several large deals, including the World Bank's Y75bn Euryon issue last week, for which it acted as one of the lead managers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Chie Gogy Corp(b)(t)	150	5 1/2	100	1998	2 1/4/1 1/2	Goldman Sachs
ECU						
Municipality Finance(a)(t)	240	9 1/4	101.70	1996	1 1/4/1.8	Goldman Sachs
CANADIAN DOLLARS						
Province of Ontario(a)(t)	750	9 3/4	101.235	2001	2/1.575	ScotiaMcLeod Inc.
National Bk Mortgage Corp(a)(t)	150	8 3/4	101.525	1998	1 1/4/1.775	Wood Gundy Inc.
D-MARKS						
Inter-American Dev.Bk(a)(t)	400	8 1/4	100.82	1993	1 1/2	Deutsche Bank
SWISS FRANC						
Nippon Concer(a)(c)(t)(t)(t)	50	4 1/4	100	1995	-	Yamachi Bk (Switz)
Sanku Sangyo(a)(t)(t)(t)	25	4 1/4	100	1996	-	SBC
AUSTRALIAN DOLLARS						
European Investment Bk(a)(t)	400	10.33	99.483	2001	3/4/0.15	Hambros Bank

†Private placement. ‡Convertible. †With equity warrants. ‡Floating rate note. †Final terms. ‡Non-callable. ‡ Subordinated. ‡ Eurodollar premium fixed at 3.4%. ‡ Callable 17/1/93 at 101 1/4 % declining 1/4 % semi-annually. ‡ Put option 9/9/93 at 105 1/4 % to yield 7.38%. Coupon payable semi-annually.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Stale
Corporations, Dominion and Foreign Bonds	54	13	16
Industrial Shares	410	157	932
Financial and Properties	198	78	485
Oil	18	5	62
Plastics	36	9	109
Others	49	29	55
Totals	770	298	1,681

LONDON RECENT ISSUES

Issue	Amount	Price	Yield	Rating	Book runner
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100

FIXED INTEREST STOCKS

Issue	Amount	Price	Yield	Rating	Book runner
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100

RIGHTS OFFERS

Issue	Amount	Price	Yield	Rating	Book runner
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100

TRADITIONAL OPTIONS

Issue	Amount	Price	Yield	Rating	Book runner
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100
100 F.P.	100	100	100	100	100

LONDON TRADED OPTIONS

Option	CALLS	PUTS	Option	CALLS	PUTS
Oil	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Oil	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Gold	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Gold	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Platinum	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Platinum	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Palladium	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Palladium	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Silver	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Silver	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Copper	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Copper	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Aluminum	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Aluminum	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Zinc	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Zinc	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Nickel	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Nickel	600 400 420 780 11 30 32	600 400 420 780 11 30 32
Lead	600 400 420 780 11 30 32	600 400 420 780 11 30 32	Lead	600 400 420 780 11 30 32	600 400 420 780 11 30 32

LONDON TRADED OPTIONS

1/13/97	1300 560 111	100 130 330 515	Scott & Zins	320 214 535	556 24 79 11	22
1/13/97	1500 22 711	910 330 515	Q4191	400 214 535	37 10 17 10 17	10
Kingfisher	550 223 455	581 77 175 24	Texas	240 195 218	23 10 14 15	4 7
5563 1	600 24 34	37 47 45 24 24	Thames	500 8 165	22 10 14 15	14
Ladysmith	240 100 210	14 4 9 14	Water	370 22 21	- 5 11 11	-
2509 1	280 24 10	16 10 20 14 20	Wells	350 22 21	- 5 11 11	-
Land Rover	500 45 52 65	1 1 2 8	Vladimir	360 29 60	- 14 14 24	24
1544 1	500 7 19 19 27 11 4	23 26	1300 1	390 123 4	- 14 14 24	24
2.65	280 44 13 22	14 4 14 4	Options			
270 1	280 44 13 22	14 4 14 4	Index Mar	Dec Mar	Dec Mar	Dec Mar
270 1	280 44 13 22	14 4 14 4	Index Mar	Dec Mar	Dec Mar	Dec Mar
Salisbury	306 14 -	27 - 14 1	Amesbury	40 5 2 7 6	7 6 5 4	5 4
1361 1	306 14 -	27 - 14 1	197 1	40 5 2 7 6	7 6 5 4	5 4
Steel Heart	550 112 24 37 37	63 13 40 20	Barings	460 27 1	44 11 16 13 16 3	16 3
1500 1	550 112 24 37 37	63 13 40 20	1608 1	500 9 17 16	24 34 44 4 47 4	47 4
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UK COMPANY NEWS

Eastex rise helps Alexon remain static at £3.8m

By Jane Fuller

ALEXON GROUP, the ladieswear retailer, showed a slight decline in interim pre-tax profit, from £3.85m to £3.8m, in the first set of results since its merger from Claremont Holdings, the Marks and Spencer supplier.

Turnover in the six months to July 27 was down 2 per cent at £56.1m (£57.2m). Mr Lawrence Snyder, chairman, said the like-for-like sales fell 6 per cent, causing operating profit to slip to £4.38m (£4.78m).

While the performance had recovered between February and July, August and early September had been poor. "Last weekend was the first good weekend this autumn," he said.

Eastex, the relaunched brand aimed at older, shorter women, was the only operation to increase sales and profit. "And it's going even better now."

Alexon and Dash declined for the first time since 1985 and

1983 respectively.

Cost-cutting in travel, distribution and shop staffing helped maintain gross margins. While competitors had gone for heavy discounting, prices were held and mark-downs in the July sales were no greater than usual, he said.

Mr Ruth Henderson, chief executive, said a review had been carried out at Dash, the leisurewear brand which had grown from 20 to 80 outlets over the past three years. This was partly in response to growing competition in the basic tracksuit lines.

Additions to the range included outerwear, such as anoraks, cotton casualwear and a petite collection. The number of shop openings had slowed to 10 a year. Dash Junior had been closed.

Alexon, the original classic ladieswear brand, showed some vulnerability to the recession, especially in the south of England. Six shops were being closed in the US.

although the concessions in department stores continued to grow.

The Dash Junior and US closures created extraordinary costs of £1.4m, including post-tax losses of £350,000.

Gearing was expected to rise to between 25 and 30 per cent by the end of the year. The demerger would reduce net assets to between £35m and £40m.

Earnings per share were 7.24p (7.05p). Alexon's interim dividend is 3p, and 3p has also been paid out on Claremont.

Barclays de Zoete Wedd, the company's broker, cut its forecast for the full year from £15m to £13.5m. On yesterday's closing price of 440p, the prospective multiple was 16.6 compared with 17.6 for the stores sector.

Since the first day of trading on July 23 this year as separate entities, the combined share price of Alexon and Claremont has gained 83p to a total of 636p.

Claremont falls 9% to £2.83m

MR PETER Wiegand, chairman of Claremont Garments (Holdings), said he hoped the benefits of the July demerger from Alexon would show through in manufacturing for Marks and Spencer, and on the acquisition trail, although he had to announce a decline in pre-tax profits, writes Jane Fuller.

"People at Claremont had felt we were always talking about retailing and that manufacturing had become the poor relation."

He also said there were no more worries about conflicts of interest between Alexon, now purely a retailer, and Marks and Spencer, which is virtually Claremont's only customer. The new group was seriously

considering two or three possible acquisitions in the M and S supply business.

He was presenting results for the 25 weeks to July 22 - the day before Claremont's shares started trading.

Since closing 7p down at 183p on day one, the price has risen to 195p, including an 8p gain yesterday.

Lower sales to M and S led to a 9 per cent decline in interim pre-tax profits to £2.83m (£3.12m) on turnover of £21.9m (£23.1m). Earnings per share fell to 8.5p (7.03p).

Mr Wiegand was more bullish about sales since the demerger, which had recovered to last year's level. "This

reflects a good reaction to our autumn merchandise," he said.

Productivity continued to improve at the Scottish factory, where margins could gain several percentage points. Scope for organic growth lay in the 15 per cent spare capacity across the group.

Gearing was expected to be cut from 45 per cent after the demerger, when it took £5.8m debt to 35 per cent by December 31, the new year-end.

Barclays de Zoete Wedd, the company's broker, is forecasting an 11-month taxable profit of £5.15m.

Annualised earnings per share of 15.4p give a prospective p/e of 12.7, compared with 14.8 for the textiles sector.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Alexon	3	Jan 2	3	14.5	14.5
Arcolec	0.53	Nov 11	0.48	1.06	1.06
Beckman (A)	3.15	Jan 3	3.15	4.78	4.78
Boosey & Hawkes	5.5	Nov 13	4	16.4	16.4
Burnfield	1.681	Nov 14	1.65	5.57	5.57
Dolphin Pack	1.7	Nov 14	1.5	4.3	4.3
Linart 5	1.7	Nov 6	3.3	5.1	5.1
Magnetics Int	2.14	Nov 11	2.1	3	3
Oscey Estates	0.481	Nov 11	0.45	0.85	0.85
Raina Inds	4	Oct 29	3.75	6	5.75
Sears	1.525	Dec 9	1.525	5.355	5.355
Sykes-Pickavants	2.25	Nov 25	2.25	5.75	5.75
Ward Group	1.2	Nov 25	2.4	7.2	7.2
Watts Blake	2.7	Nov 27	2.7	9.3	9.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. †For 11 months.

BOARD MEETINGS

Company	Date
Arcolec	Oct 1
Beckman (A)	Oct 1
Boosey & Hawkes	Oct 1
Burnfield	Oct 1
Dolphin Pack	Oct 1
Linart 5	Oct 1
Magnetics Int	Oct 1
Oscey Estates	Oct 1
Raina Inds	Oct 1
Sears	Oct 1
Sykes-Pickavants	Oct 1
Ward Group	Oct 1
Watts Blake	Oct 1

Interim: Ash & Lacy, Bank of Scotland, Sher-

Aegis pays £13.7m for minorities

Carat, a wholly-owned subsidiary of Aegis Group, is acquiring 19.9 per cent of the outstanding 25 per cent minority in 2010 and the remaining 15 per cent minority in 2011 for a total of £13.7m.

The consideration is £13.7m (£14.43m) cash and the issue of about 4.26m Aegis shares at 22.5p giving a value of £95.15m. The shares will be retained by the vendor - Quattro Finance - for a minimum of 12 months.

Mr Bruno Kemoun and Mr Eryck Reboulet, joint managing directors of Carat France, are majority shareholders in Quattro and Mr Gilbert Benshel, managing director of Moins, also has a holding.

The 1990 profit of the two companies, both of which, like Carat, are in media planning and buying, was £11.22m with net assets of £11.75m.

Big Brother, the holding company, and the maze

Philip Coggan explores the labyrinthine complexity of the £18m bid for ASIT

PROBABLY THE most common boast uttered in a schoolboy playground fight is "I'll get my big brother on to you".

Anglo Scandinavian Investment Trust (ASIT) now knows the feeling.

Having narrowly failed in an £8m bid for Lancashire & London Investment Trust (L&L) earlier this year, ASIT was last week on the receiving end of an £18m offer from L&L's larger sibling, Scottish Cities Investment Trust (SCIT).

The SCIT camp dismisses the notion that revenge is a motive for the new bid.

But the earlier ASIT bid may nevertheless have made something like the current offer inevitable.

Both SCIT and L&L are part of the complex web of companies, known as the Finsbury group (see chart), assembled by the late Sir Walter Salomon.

They must have seemed a tempting target for ASIT, which has been looking for a formula specifically to invest in other trusts in need of takeover or reorganisation.

ASIT accordingly started acquiring stakes in the various Finsbury group companies last year.

The Finsbury group was then attempting a round of rationalisation under the guidance of Sir Walter's son and heir, William.

ASIT challenged the reorganisation, asking L&L shareholders "Is Lancashire and London being managed for your benefit or for the benefit of the Salomon family corporate empire?"

That campaign eventually

led to the failed bid for L&L, which ended with ASIT owning a 41 per cent stake in the smaller companies specialist.

ASIT also owns substantial holdings in both SCIT and Scottish Mercantile, the third investment trust in the Finsbury group.

But ASIT seems to have forgotten the normal fate of creatures that venture into spiders' webs.

About 55 per cent of its net assets are now managed by Finsbury, and its future seems inextricably tied up with that of the group it attacked.

Mr Michael Reeve, chairman of SCIT, argues that the offer provides ASIT shareholders with a "realistic solution to the impasse in which ASIT has placed itself as a result of its misconceived strategy."

"ASIT has neither achieved the broad spread of investments necessary for a trust of its size nor has it succeeded as a predator."

The Finsbury group means the bid for ASIT as a means of accelerating the simplification of its structure.

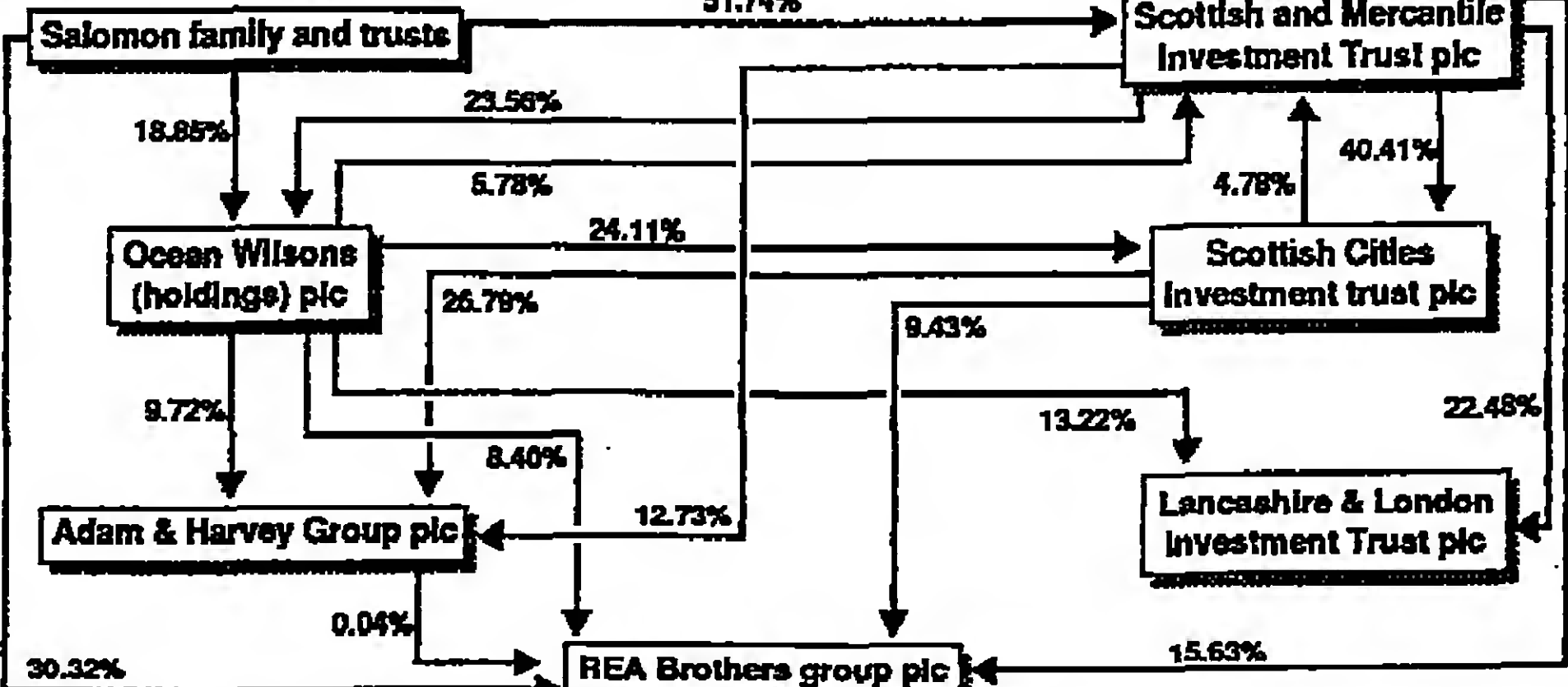
If the bid is successful, it will cancel ASIT's holding in SCIT, and it will place out the holdings in L&L and Scottish Mercantile, thereby increasing liquidity in those trusts' shares.

SCIT will also take the opportunity of tidying up its own share structure, by enfranchising the non-voting holders.

It has been unwilling to do so before now, as ASIT as a potentially hostile holder of the non-voting shares.

Finsbury Group structure

September 1991 position



The figures show the percentage of the total voting rights held

But will the offer succeed? It does not appear over-generous.

AS is the normal case with investment trust bids, it is set with reference to the formula asset value (FAV) - essentially the net asset value, minus the costs of terminating the trust.

But whereas ASIT couched its bid at 100 per cent of L&L's FAV, SCIT is only offering 90.25 per cent of FAV in shares, or 82 per cent of FAV in cash.

The share price of ASIT has actually dropped - from 86p to 84p - since the offer was announced.

"The bid is cheeky and I would not advise anyone to accept it," says Mr Lewis Asarvan, the investment trust analyst at Barclays de Zoete Wedd.

Nevertheless, SCIT's campaign has started well, with the company buying a stake of 12.2 per cent in the market, and receiving irrevocable acceptance in respect of a further 15 per cent. And the SCIT price has responded well to the news of the bid - partly because of the prospect of enfranchisement of the non-voting shares and the enhancement of net asset value that would occur if the bid were successful.

ASIT's board was meeting yesterday afternoon and was still considering its response to the offer. But it seems unlikely that they will recommend it. The classic response for an investment trust under predatory attack is to find some alternative route of offering shareholders net asset value.

Moreover, a takeover of ASIT may not be that easy. The trust was set up by J S Gadd, the corporate finance group founded by Mr Staffan Gadd, former chief executive of Samuel Montagu and various Scandinavian shareholders. Between them, they retain over 38 per cent of the equity.

Liquidity in ASIT's shares is limited; even in the face of a bid, market makers are only offering to deal in 1,000 shares, worth under £1,000.

If the bid is unsuccessful, the two parties could find that their respective bids have only drawn ASIT further into the Finsbury empire - thereby complicating an already labyrinthine situation. Most schoolboy fights, after all, end not with a knockout but with both parties wrestling on the floor.

Wyko seeks £4.03m via placing to fund expansion

By Paul Cheeseright, Midlands Correspondent

WYKO GROUP, the West Midlands-based manufacturer and distributor of rotating parts for process plant, yesterday moved both to expand its distribution business via a £3.6m acquisition and to expand its capital base with a share offer to raise £4.03m.

The acquisition of SW Bearings, a division of the Unipart Group, weights its activities more heavily towards distribution. About half of group turnover will now come from UK distribution, instead of a third.

SW Bearings' 42 branches, general annual business of some £13m, a figure broadly the same as that from Wyko's existing network of 29 branches.

The group is proposing to fund the acquisition through an open offer and placing of 9.22m shares at 47p apiece, a discount of 5p on the overnight price. Barclays de Zoete Wedd is underwriting the issue.

which has been conditionally placed.

Existing shareholders may subscribe on a 2-for-5 basis. Directors will not take up their entitlement thereby diluting their holdings from 55 per cent to about 40 per cent, according to Mr Philip White, chairman.

This dilution is linked to a desire to make the shares more readily tradable. The group, hitherto quoted on the USM, is seeking a full listing. Mr White said that directors were prepared further to dilute their equity as the group expanded.

New acquisitions may be in the offing. "We shall be looking for other opportunities in the marketplace, and not always in distribution," he said.

The balance of funds, after paying for SW Bearings, will be used to strengthen the balance sheet. Mr White expects gearing to be down to 40 per cent by the end of the current year.

Blenheim exhibitions expansion

Blenheim Group is buying Men's and Boy's Wear Exhibitions (MBWE), from its joint owners Reed International and the British Clothing Industry Association, for £7.5m.

Reed will receive £4m cash and the BCIA will receive a £3.5m Blenheim loan note.

MBWE organises the annual International Men's and Boy's Wear Exhibition.

Magnetic Materials warns of interim loss after 58% fall

By Peggy Hollinger

MAGNETIC Materials Group, the USM-quoted company which recently fought off a hostile £9.9m bid from TT, the industrial holding company, yesterday reported a 58 per cent drop in annual pre-tax profits and warned that an operating loss was possible in the first half of this year.

Taxable profits tumbled from £1.5m to £632,000 on turnover down £2.1m to £15.1m for the year to June 30. Mr George Doust, chairman, said the results were in line with forecasts made by MMG during the takeover battle.

The dividend is maintained at 2.1p, making a total of 3p. Dividend payments and an

extraordinary charge of £430,000 - the costs of beating off TT's bid - resulted in a retained loss of £668,000.

Mr Brian Morris, appointed chief executive in July after the TT bid lapsed, said the group had suffered a larger than expected sales decline in the UK and US, its two main markets.

He added: "July to September have been the worst months we have ever seen on both sides of the Atlantic... If this continues into October and December we may well post a loss." Gross margins fell by 15 per cent throughout the group.

During the bid, MMG had

said it would raise £3m from property sales. However, the deteriorating property market in the US, Australia and the UK meant that MMG expected to raise just £1.35m within the next 12 months. The company was also planning to shed peripheral businesses and talks were under way on possible sales.

Earnings per share fell in line with profits to 2.3p, compared with 5.7p.

TT continues to build up its holding in MMG and now claims 39.99 per cent. Some 41 per cent is held by Mr Edward Michaelis, the 90-year-old founder and former director, and his family.

Music publishing side buoys Boosey

By Michio Nakamoto

BUOYANT DEMAND for published music and a favourable exchange rate prompted a 25 per cent rise, from £1.04m to £1.3m, in interim pre-tax profits at Boosey & Hawkes, music publisher and instrument maker.

Mr Richard Holland, chief

executive, said that half the rise was attributable to strong sales growth in the publishing division and the other half to favourable exchange rates.

The shares rose 4p to 830p on the news. They have nearly doubled since this year's low of 425p on January 18. There is a

very tight market with three shareholders controlling 70 to 75 per cent, so they were vulnerable to strong swings. Mr Holland said he was not aware of any other reason why they have risen so strongly.

The improved outcome reflected the strength of the publishing division, which produces sheet music and earns royalties from published music and which so far has not been affected by the recession.

Sheet music sales and royalties continued to grow by more than the rate of inflation. Royalties were lifted by demand from the recording industry, supported by the popularity of compact discs.

The instruments division, however, did not escape the depressing effects of the Gulf war and economic downturn and sales were flat. Mr Holland said. Nevertheless, the strong dollar and yen worked in the group's favour as it manufactures its instruments in Europe and sells a substantial proportion overseas.

Overall turnover was £24.5m (£23.3m) and earnings per share rose by 27 per cent to 15.5p (15.5p). The interim dividend is 5.5p (4p).

The first part of the year had been "tougher than we have had in the last two or three years," Mr Holland commented, but "it is not an alarming position." Publishing royalties could be expected to see continued growth in the second half, he added.

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 30th September, 1991 to 31st December, 1991 has been fixed at 10 1/4 per cent per annum. Coupon No. 23 will therefore be payable on 31st December, 1991 at £1,315.41 per coupon from Notes of £50,000 nominal and £131.54 per coupon from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD.
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FF 750,000,000
Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that the rate of interest for the three month period 30th September 1991 to 31st December 1991 has been fixed at 8.5025 per cent. The interest payable on the relevant Interest Payment Date, 31st December 1991 will be FF2,443.75 per FF100,000 Note and FF244.38 per FF10,000 Note.

Howell Widdows de Pels p.l.c.
Solicitors Agent

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WALL ST
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UK COMPANY NEWS

Prudence over land prices helps Raine to limit fall

By Andrew Taylor, Construction Correspondent

RAINE INDUSTRIES, the housebuilder, contractor and interior designer, restricted its pre-tax profits decline to 26 per cent at £20.2m during the 12 months to end-June.

Much worse profit falls have been reported by construction companies during the current results season and the group's share price yesterday rose 8p to 148p.

Turnover fell by 12 per cent from just under £400m to £352m. Following a proposed final dividend of 4p, the total of 6p (5.75p) is 1.7 times covered by earnings of 10.5p (14p).

The group builds most of its houses in the Midlands and the north of England which have generally performed better than the depressed markets of southern and eastern England.

Housing profits fell by 27 per cent to £10.2m as the number of homes sold fell 9 per cent.

One of the group's strengths during the recession has been the low average price, of

£10,000 a plot, which it had paid for land. This has enabled it to avoid making large provisions and maintain margins better than housebuilders which had bought land expensively during the late 1980s.

It has also been helped by a strong balance sheet which boasted net cash of £16.3m at end-June compared with £2.5m last year. Net interest receivable of £1.7m compared with £679,000 in 1989-90.

Contracting and property profits fell by some 23 per cent to £7.39m. This masked a strong performance by contracting where margins improved from 3.4 per cent to 4.9 per cent. Property, however, made a loss after provisions of £2.3m.

Plumb Group, the interior design and contracting subsidiary, increased profits from £2.8m to £3.5m. A strong performance by Osta, Plumb's 70 per cent-owned subsidiary, offset a difficult UK market.

COMMENT

Raine foresaw the recession in the housing and construction sector earlier than most of its rivals. It was quick to button down the hatches by restricting land purchases and cutting back on stocks and work in progress and is now reaping the benefits. Contracting is likely to see a slight decline next year but housebuilding and interior contracting, which is biased towards retailing, should be among the first sectors to benefit from a recovery in consumer demand. The question is whether this recovery will come in time to help Raine which has a June year end. If a pick up is delayed, profits are likely to be about £22m but could easily rise as high as £24m. The latter figure would put the group on a prospective p/e of just over 11. This still looks cheap even though the share price has doubled in the past 12 months.



SHOW OF FORCE: Loyal shareholders had no hesitation showing their cards in favour of Molins. The tobacco machinery group battling attempts by US conglomerate Leucadia to gain control. Among those at yesterday's meeting in Glazier's Hall, London was a delegation of about 20 long-time employees of the company. "Things have been tough in the last few years," said one man who had been with Molins for 35 years. "But it is just starting to go right. It would be a shame if Molins lost." However, one employee's dedication began to wear a bit thin after two-and-a-half hours of waiting for the result of the vote. "For this I gave up golf," he said ruefully.

Scottish Equitable launches joint venture in Germany

By John Authers

SCOTTISH EQUITABLE, the mutual life assurance company, has agreed to launch a joint venture in Germany with Württembergische, a quoted German insurance company with a market capitalisation of about £200m.

The two companies hope to take advantage of changes in the German market for life assurance and pensions which are anticipated in the next few years.

Currently unit-linked pensions, based on equity investment, have an almost negligible share of the German

market - less than 1 per cent. Pensions instead tend to be based on fixed interest deposits and bonds.

In the UK more than 40 per cent of life assurance policies and pensions are unit-linked. These products usually provide significantly stronger investment performance in the long term, although they offer consumers slightly less security, and so the potential market should be substantial.

Attempts by British companies to expand into German financial services should also be helped by deregulation at the end of next year, which would bring Germany more closely into line with other European countries.

Württembergische, based in Stuttgart, Baden-Württemberg, but lost a substantial share of its business which it now hopes to recapture, with the partition of Germany.

The German insurance industry tends to be regionally based, and the companies hope that Württembergische will be well-placed to expand in the old East Germany.

Mr Paul Grace, managing director of Scottish Equitable's international division, admits that this is a long-term venture, which will be slowed down by the current German regulatory environment.

He estimated that the new venture, which already exists as a shell company, would take about two years to become fully operational.

Mr David Berridge, chief executive, said that the project was part of a gradual process of expansion.

He added that he saw no prospect that the company would shed its mutual status, under which it is owned by its policyholders, rather than by shareholders.

The announcement last week that Scottish Mutual was to be bought by Abbey National and abandon its mutual status had led to press speculation that many mutual insurance groups will follow the same route.

Mr Berridge said he also expected the German sector for independent financial advice to expand very rapidly. Fears for the UK's IFA sector, after the National Westminster Bank renounced its independent status, had also been exaggerated, he said.

Littlewoods studies bids for mail order arm

By John Thornhill

LITTLEWOODS, the privately-owned retailing group, was still considering three bids for its mail order division but would not sell the business for a "silly" price, Mr Desmond Pitcher, chief executive, said yesterday.

Kleinwort Benson, the merchant bank, has been seeking a buyer for the business since May but is believed to have encountered some resistance over the price.

Quelle, the German retailer, has expressed interest in buying the division and is still interested in doing so.

Kingfisher, the UK retailing group, has also been tipped as a possible buyer.

Speaking at a press conference to announce the opening of two Littlewoods stores in St Petersburg, Mr Pitcher dismissed suggestions that the company was selling the mail order business to distribute the proceeds to the Moores family, who are the group's owners.

He said Littlewoods intended to re-invest to expand its other high street formats, such as the Littlewoods stores and its Index range of catalogue shops, both in the UK and in the Soviet Union.

Littlewoods this week agreed to buy back the Home Delivery Service for its mail order subsidiary from Federal Express of the US. But although this will dispel any worries a potential buyer might have over distribution arrangements it is unlikely to affect the price.

Correction

Vivat Holdings

Vivat Holdings turnover for the half year to June 30 1990 was £56.15m and earnings per share were 2.6p, not £103.71m and 8.3p - the full-1990 figures - reported in yesterday's edition.

Burnfield reverses into the red

By Roland Rudd

BURNFIELD, the specialist heating group, yesterday reported a pre-tax loss of £281,000 for the six months to end-June, compared to profits of £651,000 during the comparable period to July 31 1990.

The loss, incurred on turnover down from £8.61m to £8.16m, came after exceptional costs of £795,000 incurred as a result of management changes at Isopad in Germany and France. Operating profits were 15 per cent higher at £368,000.

The group, formerly Isopad International, has been undergoing a significant reorganisation since Mr Brian McGowan became non-executive chairman last year.

Mr McGowan, who is also chief executive of Williams Holdings, the industrial conglomerate, installed new management into the group.

Since then operating costs have been reduced by 21 per cent and seven factories have been closed and consolidated into two integrated facilities, in Weston in the UK and Heidelberg in Germany.

Budenberg, a manufacturer of pressure gauges and testing equipment, acquired by the group in June, has also been undergoing a management reorganisation.

Fully diluted losses per share of 1p compared with earnings of 3.1p. The interim dividend is again 1.65p.

Institutions told to bid high to get their BT share allocation

By Hugo Dixon and Roland Rudd

INSTITUTIONAL investors will be encouraged to bid high for shares in the forthcoming BT sale in order to maximise their allocation, the government's flotation advisers said yesterday.

Once all the bids are in, the government will fix one price for the sale of shares to the institutions but those which offered to pay the highest prices will be rewarded with the most shares.

This new approach to privatisation was revealed yesterday by SG Warburg, the government's lead adviser, as a means of boosting the total proceeds from the BT sale, scheduled for December.

With the government indicating that there would be no general election this year, the main uncertainty surrounding the sale of half of its 47.6 per cent BT shareholding, worth about £5bn, has been removed.

The structure of the offer, expected to elicit evenly between the UK public and institutional investors worldwide, is designed to protect the government from the embarrassment of selling the shares too cheaply.

It is also intended to avoid the problem of the sale being a flop by guaranteeing retail investors a built-in discount to the price paid by the institutions.

Investors will pay for the shares in three instalments. The price of the first for

retail investors will be fixed in mid-November when the pathfinder prospectus is published. The institutions' first instalment will be fixed at a higher figure about a week later, at the end of November, on what will be known as "Discount Day".

The offer will close in early December followed by the start of dealing.

The second instalment will be the same for both types of investor and fixed at the time of the pathfinder prospectus.

However, the third instalment will be fixed by the price that institutions will be tendering, and will be the same for all investors.

This means that the retail investors will not know how much they are paying in total until after they have committed themselves to buying the shares.

In order to avoid a dramatic fall in the market, as in the case of the sale of British Petroleum shares in 1987, tender bids by institutions will only be made firm near the day dealings commence.

What they will know, however, is that the first instalment price will be at a discount, expected to be about 5 per cent to the institutional first instalment, irrespective of what might happen in the market.

Retail investors will be offered incentives to be long-term holders of the shares.

Stay of execution as Dan Air refloats

By Jane Fuller

EVEN BEFORE the Gulf war drained a further £14m out of Dan Air, Davies & Newman's subsidiary, the group had to stave off bankruptcy by negotiating a doubling of its borrowing facilities.

Mr David James, chairman, said liquidation would have led to full repayment of secured creditors, including the banks, "but probably no payment for shareholders".

To pay for the banks' extension of deadlines and the increased facilities from Lloyds, special fees amounted to £8.75m.

"They originally asked for £21m," he said. Under the renegotiated fee, the effective rate of interest over the past year was 31 per cent, "which is by no means out of line with a company doing a mezzanine deal. The banks were acting like venture capitalists."

A plan to convert the bank's fees into equity, giving them a 7.8 per cent stake, had also been dropped.

The group's problems were eased by the sale of its aircraft engineering division for £27.5m, the closure of unprofitable routes and internal financial reforms. Mr James said: "It had the most out-of-control cash position I have seen."

It did, however, also have considerable strengths, notably its position at Gatwick, the world's fourth largest airport, where it had 18 per cent of the slots. "It is Europe's 12th biggest airline, larger than some

countries' flag carriers." The switch of emphasis from charter to scheduled flights was paying off. The Elite business service carried 92,000 passengers in the first seven months of 1991, compared with 51,000 in the same period last year.

The number of charter aircraft was being reduced from 32 to 15, while those in scheduled services were rising from four to 19. Leasing new aircraft would cut the average age of the fleet from 14.5 to 5.4 years by 1995.

Mr James's table of profit projections showed flat sales of £382m in 1992, but a bounce back to pre-tax profit of £20m, rising to £42m in 1995. This would give earnings per share of about 12p next year, a prospective p/e of just over 4 on the placing price.

This does, however, represent a dramatic turnaround from this year's expected pre-tax loss of £35m. Mr Ian Wild, transport analyst at Barclays de Zoete Wedd, said that while there was no doubt about growth potential in the scheduled market, there was a question over the forecast fare increases.

However, the downside did not look bad for Davies's new investors. The group's survival seemed assured until 1993 when the single European market could stimulate interest in its precious Gatwick slots, even if the business plan had not worked out.

Ri

Results for the year ended 30 June 1991

	1991	1990	Increase(Decrease)
Turnover	£352.1m	£399.9m	(12.0)%
Pre tax profit	£20.3m	£27.3m	(25.8)%
Earnings per share	10.5p	14.0p	(25.0)%
Dividends per share	6.0p	5.75p	4.3%

"We have again achieved a strong performance in a severely depressed trading environment. Cash generated in the year was £13.8 million providing net cash balances at the year end of £16.3 million. Dividends per share are recommended to increase to 6.0p (1990 - 5.75p), an increase which underlines our confidence in the strengths and quality of our management. Our strategy since 1988, when we recognised the risk of a United Kingdom recession, has proved right. Since then £30 million of cash has been generated, earnings per share have increased by 22 per cent in a most difficult trading environment and dividends per share have doubled."

Peter W. Parkin, Chief Executive

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OSSORY ESTATES PLC Preliminary Statement of the Unaudited Consolidated Results for the year ended 30th June 1991

- Profit before tax for the year and 30th June 1991 was £7.15 million (1990: £7.22 million).
- Final Dividend maintained at 0.45p per share, making a total of 0.85p net per share for the year.
- Net Asset Value per share of 15.92p (1990: 26.95p). The fully diluted pro-forma Net Asset Value as disclosed in the Placing and Open Offer document for the issue of 225 million shares in April 1991 was 18.84 pence.
- Group rental income up 38% at £9.25 million (1990: £6.72 million).
- Consolidation of existing 5p Ordinary Shares to 25p Ordinary Shares.
- "It has been a particularly difficult year for the property industry generally. Despite this, the Group has achieved satisfactory results and maintained a platform from which to grow in the future."

John Walker, Chairman.

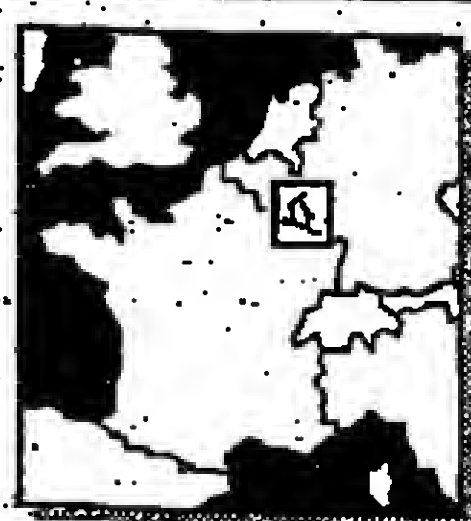
	1991	1990
Group Rental Income	£9.25	£6.72
Profit before tax	7,149	7,216
Profit attributable to shareholders	2,941	3,843
Net dividend per share	0.85p	0.85p
Earnings per share (basic)	1.43p	1.40p

The calculation of earnings per share is based on 284,816,691 Ordinary Shares, being the weighted average number in issue during the year; the 1990 comparative has been restated. Copies of the Report and Accounts will be available from The Secretary, Ossory Estates PLC, Heathwood House, 20 Saville Row, London W1X 1AE.

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LUXEMBOURG: INDUSTRY AND INVESTMENT

Wednesday October 2 1991



In a harmonised EC, Luxembourg will have to work hard if it does not want to stagnate as both the smallest and wealthiest member

state. It would be a real coup if the Grand Duchy managed to develop a unique attraction to investors in an enlarged EC, Andrew Hill writes

Seeking fresh investments

LUXEMBOURG would be a good place to start a coup d'état of the future United States of Europe.

Grabbing the Grand Duchy would not only give a would-be junta a commanding geographical position, but also control of more than 180 banks, nearly 50 radio and television channels and even a growing merchant shipping fleet. The restaurants are pretty good too.

This is not exactly what Luxembourg means when they say they want to attract more outside investment to their tiny country. But it is an indication of the success and diversity which the Grand Duchy has achieved over the past 20 years in its attempt to woo foreign capital into its 2,600 square kilometres of territory.

Now, however, Luxembourg citizens are acutely conscious of the fact that as borders come down across Europe, the Grand Duchy may be losing its uniqueness. In a harmonised European Community Luxembourg will have to work increasingly hard if it does not want to stagnate as the EC's smallest and wealthiest member state.

The Grand Duchy's economic diversification policy - started in the 1970s to

wean the country away from dependence on steel manufacturing - has become a showpiece, and the government is not afraid to display it. The economy ministry's latest digest of the Luxembourg economy, for example, devotes a whole page to last year's laudatory OECD (Organisation for Economic Co-operation and Development) summary of the country's "remarkable" macro-economic performance.

The picture this year is not perfect - a slower performance by the still-important steel industry in the first quarter of 1991 is dragging down the country's industrial production figures, for example - but in general, Luxembourg's statistics look good. They indicate continued budget surpluses (this year's will be the eighth in succession) and growth in GDP. Industrial investment is still increasing - it should exceed LFr18bn (\$322m) this year, against LFr13bn in 1987 - public debt remains low, and unemployment negligible.

With the economy under control at home, the government has been looking to make an international mark. Ministers did their best to assert Luxembourg's position within the European Community in

the first six months of this year, when the Grand Duchy held the rotating EC presidency. But although Luxembourg started with high hopes that its summit in June would prove decisive in treaty negotiations for economic and political union, the Luxembourgers finally had to hand the continuing debate on to the Dutch.

The government's determination to achieve something on the European stage - even at some domestic cost - was demonstrated by its push towards agreement on the harmonisation of value added and excise tax rates. Forging the compromise meant Luxembourg had to commit itself to increase its historically low indirect taxes. But as part of what the prime minister Mr Jacques Santer called "la grande chance" presented by the presidency this was a price worth paying.

A week after the Luxembourgers gave up the presidency, the Grand Duchy was again thrust into the international limelight, this time in a less flattering role - as home to the Bank of Credit and Commerce International, shut down amid allegations of massive fraud.

BCCI was registered, supervised and, ultimately closed down by the country's nearest equivalent to a central bank, the Institut Monétaire Luxembourgeois (IML). Although the attention of angry depositors focused on the UK - where BCCI had most of its operations - the IML also faced criticism for its consciously liberal regulatory approach to the Grand Duchy's large banking sector.

Questions were raised about the future of banking centres such as Luxembourg, which provide a safe and secret haven for private clients' cash.

For outsiders, the EC presidency and the BCCI affair probably represent the two sides of Luxembourg's international image in 1991 - the prestigious and the ignominious. But in the Grand Duchy itself, those two events have had little fundamental effect.

To take the BCCI affair, although sensitive to the criticisms of outsiders, most Luxembourg bankers - and the IML itself - believe the collapse was a legacy of the mid-



Outside investors are lured to Luxembourg - the EC's smallest and wealthiest state - by a combination of stability, location and commercial neutrality

70s (BCCI was set up in Luxembourg in 1972), when banking regulation worldwide was much laxer. They insist that such a bank could not now be established in Luxembourg.

More worrying for the Luxembourgers is the possibility that the capital's role as a banking centre might be undermined gradually by the process of harmonisation across the Community. Some fear that the same banks lured into the Grand Duchy 15 or 20 years ago by fiscal incentives and banking secrecy might simply drift away once neighbouring jurisdictions look equally attractive.

In the same way, albeit in a very different area, the government is concerned that attempts to establish the Grand Duchy as a "mediaport" - attracting investment by broadcasters and film-makers - might be threatened if Com-

pagnie Luxembourgeoise de Telediffusion (CLT), the large private broadcaster, moves the substantial parts of its network of radio and TV stations out of Luxembourg and closer to their audiences in other European countries.

If Luxembourg is worried about a gradual erosion of its unique attractions, then it is also confident it can shore up its diverse economy with the tried and tested combination of expertise - always beginning with Luxembourgers' much-valued linguistic abilities and commercial know-how (the art of dealing equally effectively with the French and the Germans) - and innovation.

Employees in the non-manufacturing industries now have to improve their productivity and the quality of the service on offer. In manufacturing, the challenges are slightly different. Government officials are

encouraged that outside investors - originally lured to Luxembourg by a combination of stability, location and commercial neutrality - are now expanding their operations in the country.

And native industries such as Arbed - Luxembourg's resident steel manufacturer - are looking beyond the country's borders and are trying to shape up for competition against larger world players.

The Luxembourg government, meanwhile, remains keen to develop new incentives for investment. In the audiovisual field, the government still hopes that the programme of tax-breaks for film-makers, which was set up in 1988, will encourage some more permanent investment in the Grand Duchy.

Separately, within nine months of its establishment, Luxembourg's shipping regis-

ter has attracted 54 vessels eager to fly under a flag which is said to offer a more flexible and cost effective operating environment than other jurisdictions.

The government's approach seems to embrace a bizarre spread of activities, but the key to its success so far is that the items on offer are linked to the country's existing strengths. Just as the growth of banking fed off natural advantages such as location and languages, so the new activities now feed off the banking sector.

This has also encouraged the banks to diversify into new areas - financing films and shipping as well as offering private banking services and leading syndicated loan issues. The financial institutions thus develop a new expertise which in turn binds them more closely to the Grand Duchy. But the government and

business community also realise that it is unrealistic to expect all industry and investment to root itself in this tiny part of a wider industrial region. Investors - and government officials - are increasingly talking in terms of a politically non-existent but commercially powerful Saar-Lor-Lux area which takes in the Grand Duchy, as well as parts of Belgium, Germany and France.

As part of such a region - and of a European Community which could widen to take in 20 or more members - it is not going to get any easier for Luxembourg to preserve its economic, financial and industrial identity.

Luxembourg will try to rise to that challenge, but for the Grand Duchy to retain and develop its unique attractions to investors in such a world will be a real coup.

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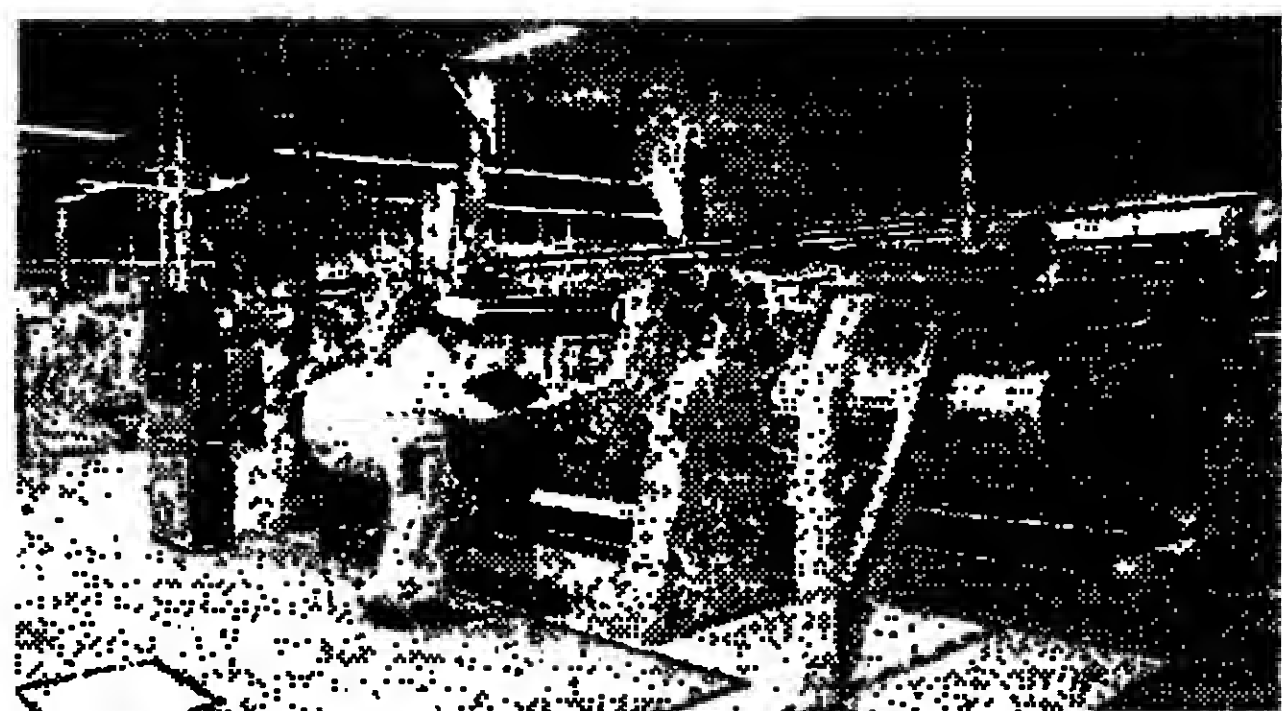
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LUXEMBOURG: INDUSTRY AND INVESTMENT 2

■ Manufacturing industry

Fresh challenges



Du Pont factory: International investment continues

TDK, the Japanese producer of audio tapes, is expected to open its new plant in Luxembourg this month. At around LFr7bn it is the Grand Duchy's largest ever investment.

But Luxembourg government officials and industry representatives know that the TDK investment, and Du Pont's comparable investment in new chemical plant five years ago, were unusual.

"We have been very lucky in having two LFr7bn projects within five years," says Mr Georges Schmit, adviser at the Luxembourg economy ministry. "We may still get other important projects in investment terms, but TDK also created 800 jobs and that's truly exceptional. I don't think that will happen more than once a decade."

The challenge now is to maintain a stream of quality investment in manufacturing industry. Since the TDK investment was announced in 1988 the Grand Duchy has not done badly. In 1989, total investment in industry amounted to some LFr1.1bn, according to a government survey of 150 companies. That increased to an estimated LFr1.6bn in 1990 and is forecast to top LFr1.8bn this year.

What is more, international companies already established in the Grand Duchy show no sign of slowing down their investment plans, despite recent difficult economic conditions worldwide.

Luxguard - a subsidiary of the US glass producer Guardian Industries - is to spend

between LFr1.5bn and LFr2bn on a new factory, its third in the Grand Duchy, to produce automotive glass. Graefinger, a subsidiary of Electrolux of Sweden, has just spent LFr1bn increasing its capacity in aluminium foil production; and Eurofloor, part of the French Sommer Allibert group, is working on three projects to expand production of vinyl flooring - a total investment of about LFr2bn.

Luxembourg, unlike its fellow European Community members, is not seeking to woo outside investors because it wants to create jobs. Far from it. There are only 2,000 people out of work from a total popu-

lation of 375,000 and many of those are unemployable. Labour is one of Luxembourg's biggest imports - about 20 per cent of the working population commutes from across the border - and TDK is expected to fill more than half the jobs at its new plant with workers from outside the country. Luxembourg's principal desire is to preserve the balance between manufacturing and services industries, which used to account respectively for 60 per cent and 40 per cent of gross domestic product. Since the boom in the Grand Duchy's financial sector that ratio has been reversed and the government does not want to

see the share of manufacturing industry slip much below 25-30 per cent.

Anxiety about the steel industry's dominance - the original catalyst for the promotion of Luxembourg as a banking centre - is a second reason to encourage diversified investment in the manufacturing sector. For illustration, one need only examine the 1991 first-quarter industrial production figures - a decline of about a tenth of 1 per cent compared with the first three months of 1990.

But that drop was due almost entirely to a 7.8 per cent slump in iron and steel production. In fact, the rest of Luxembourg manufacturing industry increased production by 4.3 per cent, with particularly strong performances from the energy, chemical and electrical sectors.

Mr Lucien Jung, managing director of Fedil, the Luxembourg industry federation, says the Grand Duchy is in search of specific types of investment. "We're looking for small or medium-sized firms with environmentally friendly, high technology, high added value products, not employing too many people," he says. The difficulty, especially as the single European market

approaches, may be persuading industrial investors that Luxembourg can offer more than its neighbours. Economically, demographically and industrially Luxembourg is part of the wider Saar-Lor-Lux region covering parts of Belgium, Germany and France - a region of 50,000 sq km, rather than 2,500 sq km, and with a population of some 7m people.

But although government officials admit that Luxembourg cannot hope to garner all the investment flowing into the region, the Grand Duchy does claim certain advantages over its neighbours. Mr Jung cites geographical location, linguistic ability and hence an aptitude for dealing with a variety of business cultures. He also points out that when industry wants to talk to the government, it is much easier to contact the relevant official or minister in Luxembourg than it would be in larger countries.

Mr Schmit of the economy ministry adds political and economic stability to the list and - perhaps the most telling attraction in the cut-and-thrust of post-1992 European trade - commercial neutrality. "Even in the Europe of 1992, there are still going to be French, German, British or Italian-made products and they will probably also be promoted that way," he says. "We think that a product made in Luxembourg not only has a good reputation, but is not regarded as a commercial threat."

Andrew Hill

David Gardner examines the economy

Workers wanted

LUXEMBOURG'S economy thrives, outperforming its EC partners on almost all measures except size. But Luxembourg officials are coming to view their economy as a phenomenon affecting a far larger region than the Grand Duchy itself. This is particularly because of the main constraint on growth: a secular shortage of labour which can only be made up by attracting workers from abroad.

Luxembourg has virtually no unemployment and the highest per capita income in the EC. The Luxembourg franc is for all practical purposes the franc of Belgium, with which the Grand Duchy has a long-established economic and financial relationship.

Public debt has been cut from 14.8 per cent of GDP in 1984 to a negligible 0.8 per cent now. Part of those budget surpluses are now being set to work on eliminating some of the bottlenecks that grew during the years of prudency in the short age of housing and inadequacy of the road network.

Steel still accounts for 7.6 per cent of GDP. But whereas in 1980 the sector generated 83.1 per cent of Luxembourg's exports, it now accounts for only 37.9 per cent. Banking, insurance and

financial services (see separate article) have over this period grown from 1.4 to about 15 per cent of GDP. In manufacturing, plastics, chemicals, engineering and machinery, glass and textiles companies have all established extensive operations - which many are set to expand.

Although most new investment is capital rather than labour intensive, this level of otherwise enviable job creation highlights Luxembourg's main structural problem - its demography.

Luxembourg's birth rate is very low and the population is getting older. Labour shortages and a looming social security crunch were identified last year by the Organisation for Economic Co-operation and Development (OECD) as one of the main clouds on an otherwise bright horizon.

This creates two obvious strains. If incoming workers become resident in Luxembourg, the already sharp housing shortage will become more acute, and the saturation of the Grand Duchy's road system will worsen. Yet the government also has to secure a tax base sufficient to finance the pension, social security and healthcare demands of an ageing population.

Banking, insurance and

interim profits, due to be announced this week.

The annual results in 1991 are expected to reflect a fall similar to last year's drop in profits of about 40 per cent to LFr9.8bn.

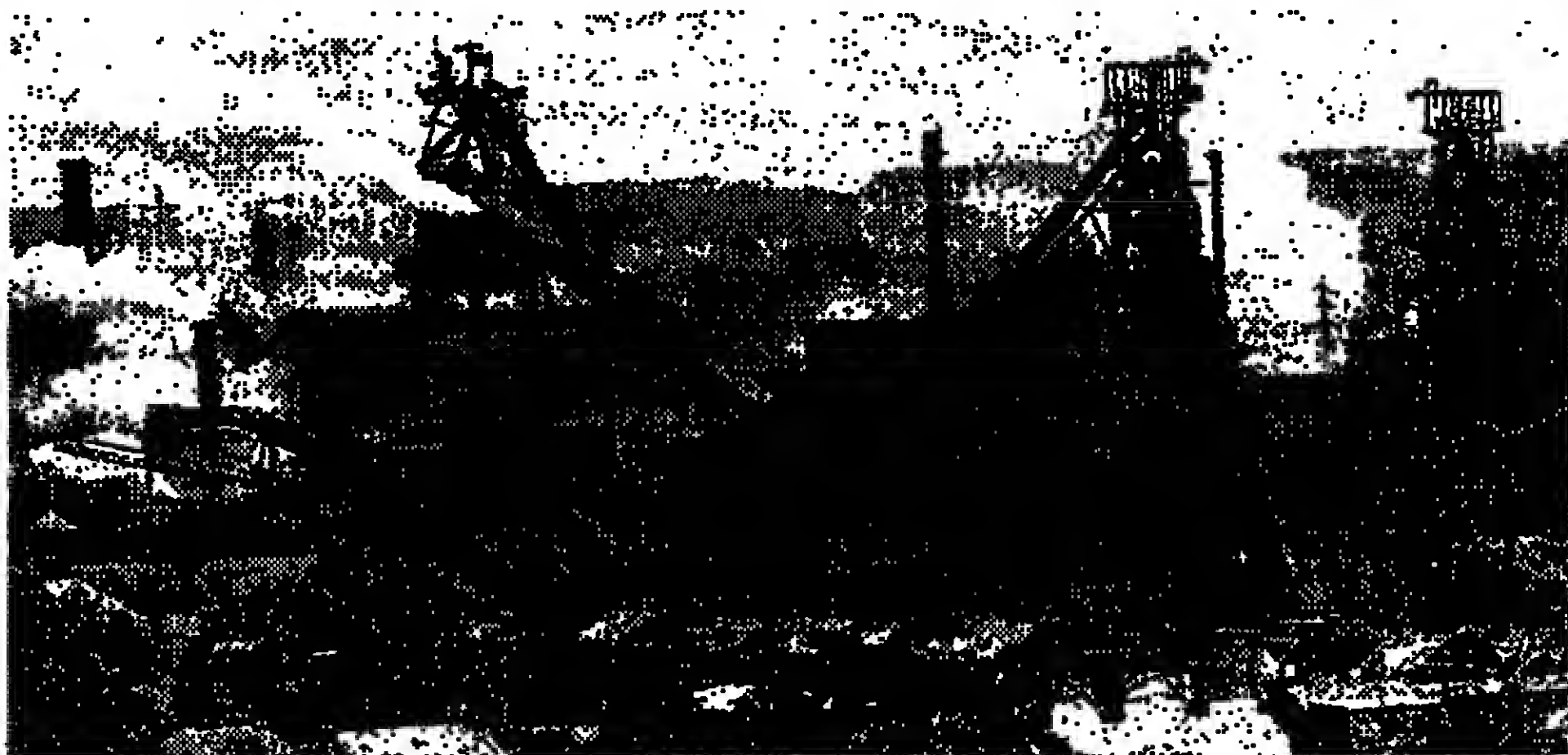
While some steel producers, particularly in Japan, are looking to diversify into other sectors, Arbed has ruled out spreading its wings beyond the sectors related to an industry in which it has nearly a century's experience.

Some of the group's most recent acquisitions have yet to reap rewards: Circuit Foil Group in the US was bought in 1990 and promptly saw a 26 per cent fall in copper foil sales because of a depressed electronics industry.

The author is the Brussels correspondent for Metal Bulletin.

A profile of steel producer Arbed by Adrian Strain

Giant still seeks international alliances



Arbed: ranked fifth in Europe and finding it increasingly unfashionable to be medium-sized

ARBED, Luxembourg's steel giant, employs one in 25 of the Duchy's population and accounts for roughly 10 per cent of the Duchy's gross domestic product. Yet its main concern is over losing ground to larger international competitors.

Steel producers such as Arbed are finding it increasingly unfashionable to be medium-sized.

The Luxembourg group, ranked fifth in Europe and 13 in the world, has in the past few years been looking for large-scale international alliances to share the burden of the investments it needs to stay competitive.

"With the giant conglomerates now being formed in France, Great Britain and Italy - with immense resources - the Arbed group is at risk of losing its current position," says Mr Pierre Thein, Arbed's planning director.

Piecemeal link-ups in the past few years, mainly with Arbed's neighbours in France and Belgium, have helped reduce the Luxembourg-based parent company's share of the group's total turnover to about a quarter.

After setting up a three-way steel bar marketing joint venture, LME, the group earlier this year launched Europrofil, the genesis of a 50-50 constructional steel joint venture with the French steel producer Usinor Sacilor.

But Arbed has to be cautious in negotiating alliances with the expansionist (and, some allege, state-supported) French. While no one disputes Arbed's status as market leader in the heavy beams that it has been rolling from its flagship Differdange mill in southern Luxembourg for nearly a century, in most other steel sectors Arbed would be dwarfed by Usinor Sacilor.

Arbed's sensitivity to the danger of being swallowed up in cross-border alliances probably played some part in the collapse of last year's talks on a planned link-up between its Belgian flat steel subsidiary Sidmar and Cockerill Sambre. The deal fell through mainly over Arbed's unwillingness to release Sidmar into a free-standing jointly-owned company.

Arbed's managers believe, however, that Cockerill, denied a stake in Sidmar's profitable coated sheet plant in Ghent, was the real loser.

Arbed group's crown, with probably the highest productivity rate of any flat rolled steel plant in Europe and some unusually good market contacts.

In the late 1980s, helped by friends in Moscow of its chairman, René Bruck, Sidmar exported up to 20 per cent of its turnover to the Soviet Union.

The task for Arbed is to find Sidmar a partner without letting it slip from the Luxembourg parent company's control. Any joint venture in the coated sheet sector, currently

exposed to overcapacity of up to 25 per cent by the slump in demand from the car industry, will inevitably lead to some rationalisation.

Arbed will want a firm say in it, having invested heavily in new coated sheet lines in the past few years.

After the failure to find a Belgian solution for Sidmar, Arbed will probably look again to Usinor Sacilor.

This would commit more of the whole group into the French camp than many in Luxembourg, perhaps including Arbed's management, would like. Arbed's watchers believe this would rule out any plans for the Duchy to relax its current 48 per cent stake in the company.

Arbed has so far kept the industry guessing on how it will beef up its financial muscle without sacrificing its corporate and national identity.

At a press conference this week at its Luxembourg city headquarters, however, Mr George Faber, group president, is scheduled to announce the group's biggest restructuring, involving at least one foreign partner, for at least 20 years.

Analysts believe that one of the prime architects of the shakeout has been Mr Joseph Kinsch, Arbed's highly-regarded financial director who is due to take over as chairman of the general management

committee on January 1. Mr Kinsch also gets credit for much of Arbed's transformation over the past decade, from the vast losses of the early 1980s steel crisis to a position today of handsome profitability and relatively low debt.

Out of the savage restructuring moves of that earlier period, performed without the state aid that helped other steelmakers survive, Arbed has emerged with a reputation for having the knack of making big strategic decisions well ahead of the game.

David Buchan on Luxembourg's EC presidency

Order out of chaos

FWF remember the name of the runner on the first leg of a relay race - and this is a bit of the problem for Luxembourg, whose main task during its EC presidency in the first half of this year was to chair the inter-governmental conferences (IGCs) on political and monetary union.

By the time Luxembourg finished its stint in the chair of the Council of Ministers, it was able to hand the presidency over to the Netherlands together with a bulky draft treaty. The snag for the Grand Duchy, anxious to nail down concrete achievements for its presidency, was that its EC partners were only ready to agree that the Luxembourg document was "a good basis" for further negotiation, leaving all firm agreements to be reached at Maastricht in December.

This was a disappointment for Luxembourg, which had been able to claim the 1985 negotiation of the single European Act from start to finish. Nonetheless, Luxembourg ministers and officials deserved credit for bringing some order out of chaos. Mr Jean-Claude Juncker, the finance minister, and Mr Yves Mersch, the senior Treasury official who steered the fortnightly meetings on economic and monetary union (Emu), had a more manageable task than their counterparts dealing with political union.

The broad shape of Emu had been well defined in the Delors report and a Commission draft treaty before the IGC even began, leaving negotiators focused mainly on the tricky transition of how to get to a single currency.

Luxembourg's draft Emu treaty steered a canny middle course between German and French ideas, although subsequently the Dutch have guided discussions nearer Germany's position.

Perhaps Luxembourg's only false move was to have caused mild domestic embarrassment to the Major government by talking publicly of a let-out clause for Britain in a way that clearly tipped off anti-Emu Tory backbenchers the likelihood that the UK will sign an Emu treaty later this year.

By contrast, Mr Jacques Poos, the foreign minister, and his EC ambassador, Mr Joseph Weyland, had a far rougher time at the helm of the political union IGC. This conference was, of course, buffeted by the steady erosion of Community solidarity as Europe followed the US into war against Iraq over Kuwait.

Issues of whether the EC should have a common security and defence policy sud-

denly acquired a painful real-life significance, with most countries, including Luxembourg, arguing the need for more majority voting to give EC foreign policy more coherence and others, such as Britain, contending that member states could not let themselves be outvoted on matters of war and peace.

In the end, all the Luxembourg presidency could do was to record such deep differences of view for settlement later in the year.

But Luxembourg brought off one nice rise. In order to ease the fears of the UK and others hesitating such as Denmark, Portugal, Ireland, the presidency put EC co-operation on security and internal policing outside the standard EC machinery with its full involvement of the Commission and European Parliament.

The Commission and a bevy of integration-minded states cried that this was an offence against the Community structure. Luxembourg did not budge on the essence, but it wrote into the draft preamble that the EC had "a federal vocation". These words caused a furore from the UK, thereby giving the Commission-led camp such pleasure that it had won nothing in substance.

In all probability, the word "federalist" will disappear - as the UK insists - by December, but its brief appearance will have served Luxembourg's devious purpose. This was to retain the looser treaty structure for countries such as

Britain which dislike expanding EC competence in security matters, but also to end the presidency on better terms with the Commission.

Relations between the two had been exceptionally strained, because Luxembourg had had to ignore almost totally the over-ambitions and late submissions which the EC executive had made to the political union IGC. But Luxembourg knew it could not afford bad blood with Brussels to continue after its presidency and its return to normal life as just one (tiny) member state.

Outside IGC business, the Luxembourg presidency was mainly carried along on a tide of foreign events - the Gulf war, the Soviet and Yugoslav crises - beyond its, or the EC's, control. And it did not make much imprint on major economic negotiations with the European Free Trade Association (Efta), and with trading partners in the General Agreement on Tariffs and Trade (GATT).

It did, however, score one big achievement for the EC's single market programme by getting, even from the UK, political agreement on the harmonisation of value added and excise tax rates.

Mr Juncker's skilful handling of this confirmed him as the heir apparent to Mr Jacques Santer, prime minister, in the Social Christian party.

However, the EC agreement will involve some increase in Luxembourg's indirect taxes. The reaction of the ordinary Luxembourgier to that will be seen in the next election.

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LUXEMBOURG: INDUSTRY AND INVESTMENT 3

■ Audiovisual industries

Media giant for Europe



SES network operations centre at Château de Betzdorf

LUXEMBOURG may be a territorial pigmy, but it is rapidly and quietly turning into a media giant.

Through the television and radio broadcasts of Compagnie Luxembourgeoise de Télédiffusion (CLT) and the satellite dishes of Société Européenne des Satellites (SES), the Grand Duchy is now responsible for the audiovisual diet of at least 120m Europeans.

This is no fluke. As early as 1981, the Luxembourg government decided to allow a private company - Compagnie Luxembourgeoise de Radiodiffusion as it then was - to broadcast from its territory, rather than creating a public sector broadcaster for its tiny population.

In 1983, the Grand Duchy seized the opportunity to register satellite frequencies and grant a franchise to a private-owned satellite broadcasting system, the first in Europe.

Mr Yves Elsen, SES's secretary-general, has little doubt about who should take the credit for Luxembourg's expansion into the pan-European media field: "The initiative was taken by the Luxembourg government. They recognised that terrestrial [broadcasting] had a physical limit."

SES is now firmly rooted in Luxembourg, controlling its two Astra satellites, used by Mr Rupert Murdoch's BSkyB group among others, from the grounds of a château just outside the capital.

CLT, celebrating its 60th anniversary this year, has just moved to high-tech headquarters on the Kirchberg plateau, a short-distance from the city centre. But like an overgrown teenager who has lived with his parents for 60 years, CLT is beginning to see the limits of home-life - to the irritation of the Luxembourg government.

The company, which transmits 10 radio stations and six TV channels covering an area from the British Isles (Radio Luxembourg was one of CLT's original activities) to Berlin, argues with some justice that it has to be close to its market.

Over the past six months, for example, CLT has gradually switched the centre of its operations from RTL-TV - which broadcasts to the Lorraine area of France - a few kilometres across the southern border to Metz. Similar plans have been made to centre the German TV and radio stations in Germany. In

the case of RTL-TV, the effect has been dramatic, according to CLT's communications director, Mr Karin Schilling.

"We actually discovered that with access to the local advertising, national advertisers were also attracted, because they were interested in taking slots right after local commercials," she says.

The government, however, is miffed by what it sees as the flight of its flagship audiovisual group from the Grand Duchy. Mr Paul Zimmer, one of the prime minister's advisers on audio-visual issues, says the government has fought hard on CLT's behalf to break down broadcasting restrictions in other countries. One of the fruits of that campaign should be this month with the legal implementation of the "television without frontiers" EC directive preventing member states from blocking transmissions from other EC countries.

"The government was always helpful to CLT," says Mr Zimmer. "We always thought [such assistance] would strengthen their Luxembourg operations and we are a little bit disappointed that although they've increased their staff there's been no change here."

The government is consoling itself somewhat by pushing the Grand Duchy's attractions as a "mediaport", as the publicity material calls it, offering a favourable environment to media groups and film-makers. CLT and SES/Astra are the first two firmly established pillars of this strategy. The third and most recent is the 1986 system of special tax incentives for film-makers, aimed principally at producers of TV drama series. For the government, this has been a mixed success. True, the offer of tax credits to film producers shooting in Luxembourg has attracted small operators and, as a side-effect, has encouraged the Grand Duchy's bankers to branch into the new area of

film financing. But although some \$20m has been spent in the country - far more than expected - few producers have put down roots. "A number of people come, make their movies, and just disappear again," says Mr Zimmer.

That may be changing. CLT is setting up a post-production company aimed at helping foreign producers who want to take advantage of the incentive scheme and Mr Zimmer says there are several operators interested in establishing proper studios in the country.

"We're not looking to create a European Hollywood," he explains. "We're so small we could not afford to have an industry of tens of thousands of people. But we've discovered in banking a number of niches which make sense for Luxembourg and we're looking to do the same thing in the audio-visual sector. We're not looking for huge amounts. We could live with a very small slice of the European media cake - but it's a huge cake."

Those niches could include language-dubbing facilities for pan-European programmes, taking advantage both of the Luxembourgish linguistic head-start over other countries. The government also believes centrally-located Luxembourg might be the ideal place for producers of multinational news or entertainment programmes to base co-production operations.

Another untested idea is the possibility of promoting the Grand Duchy as a stopover for say, US broadcasters who want to launch broadcasting services under a Luxembourg flag of convenience, taking advantage of the EC's television without frontiers initiative.

One clear characteristic of the government's audio-visual policy is an openness to ideas. Although Luxembourg created the conditions which helped CLT and SES develop their successful operations, it seems to be waiting for broadcasters and producers to suggest what the next step might be.

Paul Zimmer makes no bones about the administration's potential flexibility: "Luxembourg is small. We can change our legislation if that's necessary and in the audio-visual sector there's no powerful lobby keen to defend a domestic market here."

Andrew Hill

1991 has not been a great year for banking, writes Andrew Hill

Is the golden age over?



State-owned Banque et Caisse d'Épargne de l'Etat

DISMAL prophets say the golden age is over for Luxembourg's banking sector. The doubters have come out into the open, their worries fuelled by the collapse of BCCI, the Grand Duchy's first strike of banking employees, a slump in net profits, and an apparent lull in the number of foreign banks clamouring to set up shop in the city.

Perhaps most damaging of all, the whisper goes that Luxembourg is no longer different enough to attract banking custom. Even next-door Belgium - where the national sport is tax evasion and Luxembourg's banking secrecy laws are a big attraction - has tried to stem the flow of natives across the border by cutting its withholding tax on interest income from 25 per cent to 10 per cent.

Given that the financial sector accounts for more than 15 per cent of Luxembourg's gross domestic product and nearly 85 per cent of its total domestic employment, these concerns are serious. But local bankers are quick to deny that the influx of banks in the 1970s and 1980s is about to be reversed.

First to arrive and certainly the last to go, if it ever came to that, would be the state-owned Banque et Caisse d'Épargne de l'Etat, founded in 1858, and the country's oldest financial institution.

Mr Henri Germeaux, its deputy chief executive, says tax advantages and even banking secrecy - which the government would defend to the death - are no longer the Grand Duchy's fundamental attractions. "Even if those things go, the know-how will stay in Luxembourg," he says.

Know-how is the key word for Luxembourg's bankers, a mantra intoned whenever the financial sector seems to be threatened.

Know-how consists of the presence of some 185 banks in the small city, standing on the twin pillars of international loan business and private banking. The number of banks in the Grand Duchy has been growing more slowly in recent years. But as Mr Pierre Jaans, who heads the country's banking supervisor, the Institut Monétaire Luxembourgeois, points out, there are only about 200 banks worldwide eli-

gible to open up in the Grand Duchy.

Three South Korean banks have been among the newcomers this year and only the British and Spanish banks are significantly under-represented.

Indeed, many Luxembourg bankers are happy that the rush to set up in the city is slowing down. Now, as the differences between the Grand Duchy and its fellow EC members are eroded, the test is to see if the productivity of banking staff and the quality rather than the quantity of service can be improved.

"I would say banking secrecy has been exaggerated as an attraction," says Mr Jaans. "What's much more important is that someone who comes here [to bank] gets better conditions than if he banks at home."

Dr Ekkehard Storch has been managing director of Deutsche Bank since it set up in Luxembourg 21 years ago as one of the first foreign banks in the city. To cater for what he believes will be a growing private client business - albeit with lower volumes and margins than international loan activities - he and his staff are about to move to high-tech offices, across one of the gorges and away from the con-

gested city centre. "The big money still goes to Switzerland - but the small and medium-sized fortunes are here," he claims.

It is clear that the international loan business has been slow in recent years. Overall net profits for the Luxembourg banks dropped in 1990 from LFr23.9bn to LFr19.1bn, and Mr Jaans admits it was a difficult year. But he also points out that the gross profits were up by more than 21 per cent, and higher-than-usual provisions against loans to the Soviet Union and eastern Europe hit the net results.

The first half of 1991, he says, shows an improvement in the banks' performance, with many ahead of budget expectations despite global recession and the aftermath of the Gulf war to contend with. Indeed, according to the head of one US bank in the city, the Gulf crisis generally boosted business for the Luxembourg financial sector as worried private clients switched funds from banks in the friendly Gulf states to the Grand Duchy.

Otherwise, for a sector which prides itself on its discretion, 1991 has not been a great year. First came the banking strike, as unions protested against a new package

linking pay for new staff to performance and job description rather than simply to qualifications. The one-day strike only attracted a small proportion of the country's bank employees, and although bankers do not want to say so publicly, in private they say it had no effect on business.

In any case, the aftermath of the strike was rapidly overshadowed by the collapse of the Bank of Credit and Commerce International (BCCI), registered in Luxembourg since the early 1970s. Other banks had little to do with BCCI in Luxembourg, but they are inevitably sensitive about the issue, not only because any scandal projects a poor image of the community to outsiders but because bailing out stranded BCCI depositors through the IML's special deposit protection scheme could cost them a total of up to LFr1.5bn.

The IML claims, with justification, that a bank structured as BCCI was - with a shell holding company in Luxembourg and the bulk of its operations elsewhere - could no longer set up in the Grand Duchy.

In addition, Mr Jaans says that investigations by the administrative receivers so far show that the bank's Luxembourg operations were relatively untainted by the alleged fraud which brought down the company.

The reasons for the collapse are very specific and there are no lessons to be learned for the banking sector in general. It's had the same effect on us as a murder committed in Wavre [near Brussels] might have on the reputation of the town of Wavre," says Mr Jaans.

But if nothing else, the BCCI affair - and the spotlight of publicity turned on Luxembourg - has made the Grand Duchy's bankers realise that they are not a protected species. In future they will have to fight hard to retain and win custom from elsewhere in a harmonised European Community.

As Mr Jaans puts it: "If you think you can sleep on it then you lose the business and you deserve to lose it. It's clear that bankers here will have to watch out and stay competitive."

Simon Gray reports on the impact of foreign nationals

Good record of integration

LUXEMBOURGERS like to say they have no fears about a united Europe. "We already have it at home." Indeed, the total population of 329,933 at the beginning of 1991, some 109,602 - or 33.2 per cent - were nationals of other European Community countries and a further 17,743 residents were from outside the EC.

In total, just under 31 per cent of the population holds foreign nationality, twice the level of the next highest European country, Switzerland. The size of the foreign community poses a number of questions about Luxembourg's future identity, but so far the country seems to be coping remarkably well.

According to Statrec, the national statistics service, the biggest single group is the Portuguese (41,769), followed by the Italians (19,831), French (14,825), Belgians (10,920), Germans (9,560), Dutch (3,774) and British (3,375). The largest non-EC community is the Yugoslavs (2,325), followed by the Americans (1,358).

Throughout modern times, Luxembourg has been a magnet for foreign workers and their families. The first recorded economic (as opposed to military) immigrants were Germans and Italians who arrived in the 1870s to work in the booming iron and steel industry, counterbalancing Luxembourg emigration to the Americas, mainly the US.

In 1930, foreigners made up nearly 20 per cent of the Grand Duchy's population. This figure dipped through re-emigration to 10 per cent in 1947, then began rising again as post-war reconstruction helped the Grand Duchy climb back among the ranks of Europe's richest countries: to 13.3 per cent in 1961, 18.4 per cent in 1971 and 26.3 per cent in 1991. The proportion would be

higher still were it not for the country's capacity to assimilate immigrants into the population. The number of Italian nationals, for example, has dropped from 23,400 in 1971 to fewer than 20,000 now, not because of re-emigration but because second-generation immigrants have opted for Luxembourg nationality.

According to Mr George Als, recently-retired director of Statrec, the post-war surge in the foreign proportion of Luxembourg's population has three main causes. First is the low birth-rate (an average of 1.52 children per woman in 1989, well below the natural replacement rate of 2.1) which is increasing the average age of the population and reducing the proportion of "native" Luxembourgers.

Another factor, says Mr Als, is the changes in the social structure of the population resulting from the increasing length of education and general access to a higher degree of education. This has created a gap at the bottom of the labour market for immigration to fill. At the same time, Luxembourg's economy has continued to grow in areas where there are few opportunities for productivity gains, such as construction and allied trades, hotels and catering and general services.

To these factors must be added the growth over the past decade in the financial and related sectors which has exhausted not only the supply of qualified people on the labour market but even opportunities for "turning hairdressers into bank clerks," as happened during the 1970s in the early days of Luxembourg's financial centre.

As well as attracting immigration per se, the boom has boosted the number of cross-border commuters from Belgium, France and Germany

from about 18,200 in 1981 to more than 32,000 today. Anecdotal evidence suggests that increasing numbers of commuters are tending to set up home within the Grand Duchy.

The Portuguese, whose numbers soared from 6,500 in 1971 to 29,300 a decade later, and at the beginning of this year made up more than 10 per cent of the total population, are generally at the bottom of the economic ladder, filling jobs in construction and manufacturing, although a small business sector is emerging.

They tend to bear the brunt of what racist sentiment exists in the Grand Duchy, although this remains low considering the size of the foreign population. At the last general election in 1989, a cluster of right-wing parties campaigning more or less openly against continued immigration

Another issue with which the authorities are grappling is political rights

attracted less than 1 per cent of the vote between them.

Analysts such as Mr Als say this has much to do with the fact that immigrants are overwhelmingly of European origin, sharing to a large degree the culture and background of the native population. The government is not eager to see this change and is preparing, for example, to tighten rules on political asylum.

Another issue with which the authorities are grappling is political rights. Seeking to head off demands for voting rights for foreigners in at least local elections, the government has introduced nominated foreigners' consultative committees to advise municipal authorities. However, their work remains largely obscure even to the people they are supposed to represent.

A more tricky problem is schooling in a country where the education system is mostly conducted in German and Luxembourgish, languages in which pupils from romance-language countries, especially the Portuguese, tend to struggle.

This is all the more serious since in the two largest municipalities, Luxembourg City and Esch-sur-Alzette, more than half the school population are of foreign origin. The language problem is widely blamed for the fact that some 45 per cent of pupils leave school without any formal qualifications.

The answer which the authorities shy away from is creation of a parallel French-language school system. They fear use of Luxembourgish

might suffer. Experience suggests the next generation of pupils will be at home with German and Luxembourgish, but in the meantime there is the risk of creation of an "underclass" whose lack of educational qualifications bars them from the economic mainstream.

With these provisos, Luxembourg can boast a good record on integration. The number of Luxembourgers with Italian names bears testimony to the absorption of that community, and Portuguese-Luxembourg intermarriage is growing more common.

Meanwhile, the foreigners have made Luxembourg City an increasingly cosmopolitan place. The capital has a selection of restaurants ranging from Creole to Thai (although the majority are Italian), and over the past decade English has emerged as the country's fourth language after Luxembourgish, German and French, spoken even by supermarket check-out clerks. Knowledge of five or six languages is not uncommon.

Among the newcomers are the Japanese, who numbered just 327 at the end of last year but whose representation is increasing with the establishment of TDK's European headquarters and a large audio and video cassette manufacturing plant in Bascharage, as well as the newly-opened Kikuka Club.

With a Fancie industrial robot factory operating in Eschborn, on the border with Germany, since 1981, and nine Japanese banks represented in the financial centre, Japanese influence is being felt at a popular level. The three Japanese restaurants in Luxembourg City have now been joined by two Karaoke bars.

Whatever misgivings exist about the size of the foreign population, it seems unlikely that Luxembourg can afford to curb immigration in any foreseeable future. The low birth-rate means an that increasing number of elderly people (enjoying generous pensions) will have to be supported by a diminishing proportion of people of working age unless continued immigration fills the gap.

Further increases in the number of women in the workforce (their proportion rose from 26 per cent in 1970 to 35 per cent in 1989) is liable to cut the birth-rate further, while the availability of commuter workers is contingent on continued high unemployment in neighbouring regions. That factor, plus the continued appeal of Luxembourg's high standard of living, will by all expectations encourage a high level of immigration for years to come.

FINANCIAL TIMES RELATED SURVEYS

European Information Tech	March 11
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FOR ADVERTISING INFORMATION CONTACT BEN HUGHES

071-873-4797

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TELEVISION WITHOUT FRONTIERS

ENTERTAINMENT FROM THE STARS

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FUTURE PROOF

Société Européenne des Satellites
Château de Betzdorf
L-6815 Luxembourg
Tel: (352) 717251
Fax: (352) 71725 324/227
Telex: 60625 ASTRA LU

COMMODITIES AND AGRICULTURE

Zairean riots
send cobalt
prices soaring

By Kenneth Gooding, Mining Correspondent

COBALT PRICES in the free market have rocketed because of the rioting and deaths in Zaire, the world's biggest producer. The metal is an essential ingredient in some of the superalloys used by aircraft manufacturers and in products employed by the automotive industry, so consumers watched with increasing concern as the price jumped from \$15 a lb last week to \$19.

Prices stabilised yesterday as a war of nerves developed between consumers and producers. "The market is paralysed with fear," says a source who loses their nerve first. Whatever happens, the price is likely to go roaring up or down in the next couple of days," said Mr Nick French of the Wogen Resources trading group.

He insisted, however, that shortages of cobalt had been developing over the past two years and in the longer term cobalt prices were destined to rise.

The Cobalt Development Institute, an organisation supported by producers, said recently that consumption had outpaced production by an annual 5 to 10 per cent for the past three years. It estimated that production outside the former eastern bloc countries in 1990 was about 20,273 tonnes

and consumption roughly 22,500 tonnes. Geomines, the state-owned Zairean group, last year produced just over 10,000 tonnes or nearly half the western world total. Its neighbour, Zambia, another country which seems destined for political turmoil, produced 4,644 tonnes.

The two African producers attempt to stabilise the market by setting producer prices and giving long-term contracts. The producer price was lifted from \$8.40 a lb last year to \$11 but many consumers complain that allocations are well below requirements.

The free market is estimated by Metal Bulletin magazine to account for about 15 per cent of production, or 3,600 tonnes of cobalt, "leaked" from Zaire and Zambia and recently also supplied by the former eastern bloc which was previously a net importer.

The superalloys market accounts for about 35 per cent of cobalt's usage, 33 per cent goes into chemicals (for catalysts, dyes, and to homogenise steel) while the rest is spread roughly evenly between hard metals (cemented carbide), magnets (used in car instruments and anti-skid braking systems) and ceramics.

Ultramar
agrees first
UK gas
export deal

By Deborah Hargreaves

ULTRAMAR, THE UK independent oil and gas company, said it agreed to sell gas from its Markham field to Gasunie in the Netherlands, marking the first UK exports of gas.

The Markham field straddles the division between the UK and Dutch sectors of the North Sea. Gas from the two "J" blocks which are in the Dutch sector of the Markham field will also be sold to Gasunie, making a total of 37.3bn cubic feet of gas a year.

Ultramar will also sell 15bn cu ft of the Markham gas to Winterhall, a unit of the BASF group in Germany, as part of an agreement it took over from Elf, the French oil company, when it received its interest in the Markham field in August.

The Markham field which contains some 700bn cu ft of gas is due to begin production in October next year.

EC non-food
farming boost

REFORM OF the Common Agricultural Policy could give farming for non-food use a boost, said Mr Ray MacSharry, the European Community's farm commissioner, reports Reuters from Brussels.

Cultivation of crops yielding starch, sugar or fibre for industrial use is among the strategies the European Commission will seek to encourage, he told an informal meeting of farm ministers in Luxembourg, the Netherlands.

Despite the modest results so far, "I remain optimistic", he said. The main problem to date has been that raw materials have been too expensive to encourage pilot projects.

"This situation will change after the reform in the arable crops sector when the price of agricultural raw materials should be established at world market levels," Mr MacSharry said.

In addition, land set aside from cereals production would be eligible for use for non-food crops while benefiting from full compensation for the first 7.5 hectares.

He said forestry offered possibly the greatest scope for non-food farming. But he said it would be hard to persuade farmers used to traditional farming to turn to forestry.

Mr Alejandro Catalano, of the government's National Agricultural Technology Institute says "it is an extremely serious situation. Between 80,000 and 100,000 sq km of the province of Santa Cruz are covered by a layer of two to ten centimetres of ash. The sheep are unable to graze and are slowly starving. The ash has clogged and polluted streams. It is quite possible that over 100 sheep will die". More serious, he said, is the loss of 500,000-600,000 animals, or 10 to 12 per cent of the province's 5m sheep, will perish.

The sheep are also being

Canada defies US by scrapping lumber tax

Bernard Simon on a gamble aimed at easing the problems of a hard-pressed industry

SYMPATHY FOR Canada's hard-pressed lumber industry has prompted the Ottawa government to reinstate one of the most acrimonious trade disputes in recent years between itself and the US.

On Friday Canada will unilaterally rescind the 15 per cent export tax that it has levied for the past five years on Canadian softwood lumber shipments to the US. The tax was imposed to forestall a US countervailing duty, which was designed to neutralise the low stumpage (cutting) fees paid by Canadian companies in provincially owned forests.

The move has been followed, predictably, by yelps of protest from the US timber lobby, which claims that the subsidies that led to the introduction of the tax have not been fully eliminated. The US industry is also concerned that the termination of the 1986 memorandum of understanding will restrict the information available on the level of subsidies enjoyed by the Canadians.

Senators Max Baucus and Robert Packwood, who represent the timber-growing states of Montana and Oregon, last week persuaded almost 60 of their Senate colleagues to ask President Bush to take action against Canada, either through section 301 of US trade law or through the

imposition of a countervailing duty.

Senator Baucus suggested that the US should review all its trade dealings with Canada, including the two-year-old U.S.-Canada free trade agreement.

The Canadians are gambling, however, that in the end, there will be no retaliation. They have even turned down an American request to delay suspension of the duty pending negotiations to find a compromise.

Reports in Canada suggest that Mr Bush quietly assured Canadian prime minister Brian Mulroney last month that he would not retaliate against the lifting of the duty. Mr Bill St. John, vice-president for building materials marketing at MacMillan Bloedel in Vancouver, predicts that "nothing is going to happen unless one of the provinces does something stupid and suddenly reduces stumpage by a significant amount".

Much has changed for the Canadian industry over the past five years. British Columbia, where some 62 per cent of Canada's softwood lumber is produced, has pushed its stumpage rates to a level where companies no longer pay the 15 per cent export tax. Quebec has started to move in the same direction.

As a result, export tax collections have plummeted from

C\$400m (\$200m) in the first year after the levy was imposed to only C\$40m last year. Canadian sawmills have also been penalised by the steep rise in the Canadian dollar. The currency is now trading at 88 US cents, compared with an average of less than 72 cents in 1986.

The export duty had become an emotive symbol for the plight of the lumber industry. According to the British Columbia Council of Forest Industries, total Canadian output of softwood lumber tumbled by 7.5 per cent last year to 22.6bn board feet. Production fell another 11.3 per cent in the first half of 1991, compared with a year earlier.

The decline stems mainly from the slump in the US housing market. Although housing starts rose in August for the fifth successive month to a seasonally-adjusted annual rate of 1.07m units, the total so far this year is 11.1 per cent below that for the first eight months of 1990. Last year's starts, in turn, were 13.3 per cent below 1989's.

The decline has been especially steep in multi-unit dwellings, such as flats and town houses. In spite of the recent improvement in the recovery in the US, the market is still weak. New building permit applications fell 4.9 per cent in August

to a 956,000-unit annual rate. Some economists predict that this will be the worst year for housing starts since 1946.

The Canadians are responding to sagging US demand in two ways: by trimming production and by channelling a growing proportion of their output to more lucrative offshore markets.

Noting that several companies are in the process of cutting their 1991-92 market forecasts, Mr Rick Franko, vice-president for lumber sales at Vancouver-based Weldwood of Canada, says that "the only way we're going to increase our returns in the short term will be by curtailing sawmills".

Fletcher Challenge and Weyerhaeuser are among the other companies that have closed or sold mills and cut production at those still running.

The more attractive alternative is to seek more receptive markets. An 11.7 per cent drop in Canadian shipments to the US in the first half of this year is only partly explained by weak US demand.

Several companies are also deliberately diverting material to Europe and the Far East. BC Mills' exports to the European Community have soared from 72bn board feet last year to 11.7bn this year. Shipments to Japan have jumped from 918m b/f to 1.7bn b/f.

While Canada still sold

C\$3.3bn worth of softwood lumber in the US last year, its market share south of the border has shrunk in the past five years from 33 per cent to 26 per cent.

"We've got out of the US as much as we can and into more profitable markets elsewhere," says MacMillan Bloedel's Mr St. John.

The demand from offshore is mainly for high-quality, value-added products such as decorative beams, wood siding and roof-truss components, for which British Columbia's old forests are ideally suited. Weldwood is currently spending C\$7m to refit a mill north of Vancouver for these semi-finished products.

The problem for the sawmills however, is that at least a part of every tree is suitable only for commodity-grade lumber, such as 2 by 4 planks. Only 25 to 30 per cent of a tree grown in BC's coastal forests can be used for decorative products, but the proportion is far lower in the interior.

Inland sawmills, in particular, have little choice but to wait for lower interest rates and improved consumer confidence to spur an upturn in the US housing market. They will be crossing fingers in the meantime that Washington doesn't retaliate against them for Ottawa's decision to lift the export tax.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 4.80-5.40 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2.10-2.70 (2.20-2.70).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 17.50-19.00 (14.70-15.20).

MERCURY: European free market, min. 99.99 per cent, \$

per 76 lb flask, in warehouse, 70-90 (same).

MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.25-2.28 (2.27-2.31).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per lb, in warehouse, 10 (5 kg WO₃, 50-55 (same)).

Vanadium: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 2.20-2.35 (same).

URANIUM: Nuxeo exchange (value, \$ per lb, U₃O₈, 8.75 (same)).

Zinc stocks at record

ZINC STOCKS in London Metal Exchange warehouses rose to a new record yesterday and helped to send prices tumbling to the lowest level since the exchange first introduced the special high grade zinc contract in September, 1988, writes Kenneth Gooding.

The price of zinc for immediate delivery dropped by \$1.5 a tonne to close last night below the psychologically-important

\$1,000 level at \$999.50. The three months price fell the same amount at \$1,018.50 a tonne. This followed a rise in LME stocks by 1,025 tonnes to 150,350 tonnes.

Mr Graham Phillips, analyst at Credit Lyonnais Laing, 1988, writes Kenneth Gooding. The price of zinc for immediate delivery dropped by \$1.5 a tonne to close last night below the psychologically-important

LME WAREHOUSE STOCKS	
(as at Monday's close)	
	tonnes
Aluminium	+7,475 to 704,225
Copper	-180 to 308,250
Lead	50 to 102,275
Nickel	+54 to 8,825
Zinc	+1,025 to 150,350
Tin	-130 to 13,800

MARKET REPORT

Gold closed little changed on the London bullion market after holding a tight range throughout the day as doubt still surrounded weekend news. Soviet gold reserves had declined sharply to around 240 tonnes. Western analysts believe that Soviet gold stocks are larger, which has lent uncertainty to the market and held prices at current levels. Cornex gold futures were easier at midday. On the LME lead closed at the lowest levels since March. However, as the metal is already considered cheap by trade sources there is likely to be good support on any dip towards the \$200-a-tonne level for three-month LME aluminium stocks rose again

to a record 704,225 tonnes. Prices eased although sporadic consumer demand and profit-taking purchases were giving occasional bouts of support. Copper prices were also easier, reflecting diminishing concern over the situation in Chile.

However, there was also some caution because of Highland Valley labour talks in Canada, as a strike vote was possible yesterday evening. New York arabica coffee prices were again sharply lower at midday as selling continued on favourable weather in Brazil and disappointment at the outcome of last week's ICO meeting.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)

Dubai \$17.80-7.80 -0.35

Brut Blend (dew) \$21.15-1.25 -0.25

Brut Blend (dew) \$20.65-0.30 -0.15

WTI (1st) \$22.12-1.15 -0.15

Oil prices

(NWE prompt delivery per tonne CIF) + or -

Premium Gasoline \$238-238 -1.0

Gas Oil \$200-202 -1.5

Heavy Fuel Oil \$74-78 +0.5

Hepha \$208-212 +1.0

Petroleum Argus Estimates

Other

Gold (per troy oz) \$338.85 -0.7

Silver (per troy oz) \$416.80 +1.15

Platinum (per troy oz) \$542.25 +1.75

Palladium (per troy oz) \$825.75 +0.40

Copper (US Producer) \$112.00

Lead (US Producer) \$37.00

Tin (Kuala Lumpur market) \$14.90

Tin (New York) \$298.00

Zinc (US Prime Western) \$21.00

SUGAR - London POKE (\$ per tonne)

Raw

Dec 184.00 191.00 182.00 184.00

Mar 184.00 191.00 182.00 184.00

May 184.00 191.00 182.00 184.00

Aug 184.00 191.00 182.00 184.00

White Sugar

Dec 201.00 207.00 202.00 204.00

Mar 201.00 207.00 202.00 204.00

May 201.00 207.00 202.00 204.00

Aug 201.00 207.00 202.00 204.00

ICE Index 21.00 20.95 20.90

Turnover 10515 (18048)

GAS OIL - LPE (\$/barrel)

Nov 20.85 21.05 21.00 20.85

Dec 20.70 20.85 20.80 20.70

Jan 20.75 20.90 20.85 20.75

Feb 20.41 20.42 20.40 20.41

Mar 20.20 20.25 20.20 20.20

Apr 18.00 18.20 18.10 18.00

May 17.70 17.75 17.70 17.70

Turnover 11680 (10622) lots of 700 tonnes

COTTON

LIVERPOOL-Spot and shipment sales for the week ending 27 September amounted to 195 tonnes against 1014 tonnes in the previous week. Fair trading developed mostly in

WORLD COMMODITIES PRICES

COCOA - London POKE (\$/tonne)

Dec 746 748 751 743

Mar 753 754 757 751

May 804 805 808 803

Aug 827 827 827 822

Nov 840 840 840 844

Dec 870 869 871 868

Turnover 2145 (2614) lots of 10 tonnes

ICO indicator price (\$/tonne per tonne). Daily prices for Sep 30 \$94.75 (94.54) 10 day average for Sep 30 \$91.85 (90.44)

COPPER - London POKE (\$/tonne)

Dec 426 427 428 424

Mar 426 427 428 424

May 426 427 428 424

Aug 426 427 428 424

Dec 426 427 428 424

Turnover 4409 (2211) lots of 6 tonnes

ICO indicator price (\$/tonne per tonne) for Sep 27 \$2.00, daily \$2.12 (2.02) 15 day average \$2.01 (1.97)

POTATOES - London POKE (\$/tonne)

Apr 125.5 127.0 126.5 125.2

Turnover 132 (288) lots of 20 tonnes

SOYABEANS - London POKE (\$/tonne)

Dec 135.00 135.50 135.00 134.50

Mar 137.00 137.50 137.00 136.50

Turnover 71 (30) lots of 20 tonnes

PREMIUM - London POKE (\$/tonne)

Dec 1870 1842 1870 1838

Mar 1700 1715 1715 1710

May 1700 1715 1715 1710

Aug 1700 1715 1715 1710

Dec 1700 1715 1715 1710

Turnover 11680 (10622) lots of 700 tonnes

GRAPES - London POKE (\$/tonne)

Dec 117.00 117.00 117.00 117.46

NEW YORK

GOLD 100 troy oz; \$/troy oz

Dec 354.2 354.0 354.5 353.7

Mar 354.2 354.0 354.5 353.7

May 354.2 354.0 354.5 353.7

Aug 354.2 354.0 354.5 353.7

Dec 354.2 354.0 354.5 353.7

Turnover 354.2 354.0 354.5 353.7

ICE Indicator Price (\$/tonne per tonne) for Sep 27 \$2.00, daily \$2.12 (2.02) 15 day average \$2.01 (1.97)

POTATOES - London POKE (\$/tonne)

Apr 125.5 127.0 126.5 125.2

Turnover 132 (288) lots of 20 tonnes

SOYABEANS - London POKE (\$/tonne)

Dec 135.00 135.50 135.00 134.50

Mar 137.00 137.50 137.00 136.50

Turnover 71 (30) lots of 20 tonnes

PREMIUM - London POKE (\$/tonne)

Dec 1870 1842 1870 1838

Mar 1700 1715 1715 1710

May 1700 1715 1715 1710

Aug 1700 1715 1715 1710

Dec 1700 1715 1715 1710

Turnover 11680 (10622) lots of 700 tonnes

GRAPES - London POKE (\$/tonne)

Dec 117.00 117.00 117.00 117.46

LONDON SHARE SERVICE

• Latest Share Prices are available on FT Cityline. Calls charged at 39p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2126

AMERICANS

1991	Low	High	Stock	Price	1991	Low	High	Stock	Price
100	100	100	Alcoa	100	100	100	100	Alcoa	100
101	101	101	Alcoa	101	101	101	101	Alcoa	101
102	102	102	Alcoa	102	102	102	102	Alcoa	102
103	103	103	Alcoa	103	103	103	103	Alcoa	103
104	104	104	Alcoa	104	104	104	104	Alcoa	104
105	105	105	Alcoa	105	105	105	105	Alcoa	105
106	106	106	Alcoa	106	106	106	106	Alcoa	106
107	107	107	Alcoa	107	107	107	107	Alcoa	107
108	108	108	Alcoa	108	108	108	108	Alcoa	108
109	109	109	Alcoa	109	109	109	109	Alcoa	109
110	110	110	Alcoa	110	110	110	110	Alcoa	110
111	111	111	Alcoa	111	111	111	111	Alcoa	111
112	112	112	Alcoa	112	112	112	112	Alcoa	112
113	113	113	Alcoa	113	113	113	113	Alcoa	113
114	114	114	Alcoa	114	114	114	114	Alcoa	114
115	115	115	Alcoa	115	115	115	115	Alcoa	115
116	116	116	Alcoa	116	116	116	116	Alcoa	116
117	117	117	Alcoa	117	117	117	117	Alcoa	117
118	118	118	Alcoa	118	118	118	118	Alcoa	118
119	119	119	Alcoa	119	119	119	119	Alcoa	119
120	120	120	Alcoa	120	120	120	120	Alcoa	120
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CANADIANS

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14990	81	Stableman Energy Corp.	10 1/4		
14991	81	Stableman Energy Corp.	10 1/4		
14992	81	Stableman Energy Corp.	10 1/4		
14993	81	Stableman Energy Corp.	10 1/4		
14994	81	Stableman Energy Corp.	10 1/4		
14995	81	Stableman Energy Corp.	10 1/4		
14996	81	Stableman Energy Corp.	10 1/4		
14997	81	Stableman Energy Corp.	10 1/4		
14998	81	Stableman Energy Corp.	10 1/4		
14999	81	Stableman Energy Corp.	10 1/4		
15000	81	Stableman Energy Corp.	10 1/4		

* Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

MINES—Contd

Figure 1

FT MANAGED FUNDS SERVICE

Current Unit Trust prices are available on FT Cyteline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring 071 925-212.

AUTHORISED UNIT TRUSTS

<p>Abbey Unit Trust Mgrs Ltd (0200H) Abbey Unit Trust Mgrs Ltd, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 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● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 30p off peak inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

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FT MANAGED FUNDS SERVICE[illegible]

● Current Unit Trust prices are available on-line. Calls charged at 48p per minute peak and 36p off peak inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firms in technical trade

The US dollar remained the focus of attention on the foreign exchange markets yesterday following the release of data which showed that the US economic recovery had slowed during September.

The dollar was firmer overnight in Far Eastern trading following a difficult day in Europe on Monday. Traders said that the firmer tone was due in part to technical factors as participants moved to cover short positions. The US currency moved to DM1.6690 by the close in Tokyo, having finished in Europe on Monday at around DM1.6625. This more positive sentiment was carried through to yesterday's opening in Europe, with the dollar starting in London at 1.6680.

The US National Association of Purchasing Managers index stood at 56 per cent during September, up slightly on 54.8 per cent registered in August and the highest level since December 1988. The index of leading US economic indicators for August was unchanged on the previous month, underlining that the pace of recovery has slowed.

Against this background the dollar weakened slightly, but remained firmly within the established trading range, closing at DM1.6655 in London.

Within the European exchange rate mechanism,

sterling benefited from reports that a November general election has been ruled out by the Conservative government. The UK currency remained second from bottom within the ERM but strengthened its position during the morning session, rising to 0.46 per cent above the French franc, the weakest currency, before falling back to a 0.36 per cent divergence in the afternoon.

Sterling also gained early ground on the D-Mark, breaking through its DM2.92 central rate during the morning session before falling back to close at DM2.915, unchanged from Monday.

Analysts said that a general election is now unlikely to be called before next year. This was seen as reducing the chances of premature cut in UK interest rates.

The peseta remained firm after losing ground last week on expectations of an early

reduction in Spanish interest rates.

News that the Italian government had reached agreement on a package of public spending cuts for the 1991 budget had little impact on the foreign exchange markets. Previous agreements aimed at lowering Italy's public sector deficit have proved unenforceable in practice. The Italian currency closed at 1.2179 against sterling, little changed on the day. The Japanese authorities' decision to ease reserve requirements for banks was seen as contributing to a mild easing of monetary conditions. However, the action was seen as primarily a move to assist the banking system rather than provide an immediate stimulus to economic activity. The market is already discounting a cut in Japanese interest rates. The yen closed at Y133.15 against the dollar, down from Y132.80 on Monday.

EUROPEAN CURRENCY RATES

	Est	Cur	% Change	% Spread	Divergence
	Central	Against	From	From	Indicator
	Rate	Dec 1	Central	Central	
Spanish Peseta	133.63	129.48	-3.10	4.43	54
Belgian Franc	40.332	42.176	-4.57	1.73	29
Italian Lira	2,062	2,176	-5.55	1.15	29
French Franc	166.35	166.35	0.00	0.00	0
German Mark	1.00	1.00	0.00	0.00	0
Dutch Guilder	2.3636	2.3636	0.00	0.00	0
Irish Punt	0.78756	0.78756	0.00	0.00	0
Portuguese Escudo	200.48	200.48	0.00	0.00	0
Swedish Krona	4.66	4.66	0.00	0.00	0
Finland Mark	5.94573	5.94573	0.00	0.00	0

Est central rates set by the European Commission. Cur rates are in descending order of divergence from the central rate. Divergence shows the ratio between two currencies. The percentage difference between the actual market rate and the central rate for a currency, and the maximum permitted percentage deviation of the currency's market rate from its central rate.

Adjustment calculated by Financial Times.

DOLLAR SPOT - FORWARD AGAINST THE POUND

Oct 1	Day's	Close	One month	%	Three months	%
	Rate					
US	1.7492	1.7492	1.7492	0.00	1.7492	0.00
UK	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Canada	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Japan	1.7492	1.7492	1.7492	0.00	1.7492	0.00
France	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Germany	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Italy	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Spain	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Sweden	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Norway	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Denmark	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Greece	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Portugal	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Finland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Ireland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Belgium	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Netherlands	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Austria	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Switzerland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Poland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Czech Republic	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Slovak Republic	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Slovenia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Croatia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Serbia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Bosnia and Herzegovina	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Montenegro	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Albania	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Romania	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Bulgaria	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Greece	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Turkey	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Israel	1.7492	1.7492	1.7492	0.00	1.7492	0.00
South Africa	1.7492	1.7492	1.7492	0.00	1.7492	0.00
India	1.7492	1.7492	1.7492	0.00	1.7492	0.00
China	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Japan	1.7492	1.7492	1.7492	0.00	1.7492	0.00
South Korea	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Hong Kong	1.7492	1.7492	1.7492	0.00	1.7492	0.00
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Singapore	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Malaysia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Thailand	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Philippines	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Indonesia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Brunei	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Mexico	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Central America	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Caribbean	1.7492	1.7492	1.7492	0.00	1.7492	0.00
South America	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Africa	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Europe	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Asia	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Oceania	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Antarctica	1.7492	1.7492	1.7492	0.00	1.7492	0.00

Commercial rates taken from the London market. One-month forward rate of 1.7492. 12-month forward rate of 1.7492.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 1	Day's	Close	One month	%	Three months	%
	Rate					
US	1.7492	1.7492	1.7492	0.00	1.7492	0.00
UK	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Canada	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Japan	1.7492	1.7492	1.7492	0.00	1.7492	0.00
France	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Germany	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Italy	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Spain	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Sweden	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Norway	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Denmark	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Greece	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Portugal	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Finland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Ireland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Belgium	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Netherlands	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Austria	1.7492	1.7492	1.7492	0.00	1.7492	0.00
Switzerland	1.7492	1.7492	1.7492	0.00	1.7492	0.00
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Czech Republic	1.7492	1.7492	1.7492	0.00	1.7492	0.00
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Antarctica	1.7492	1.7492	1.7492	0.00	1.7492	0.00

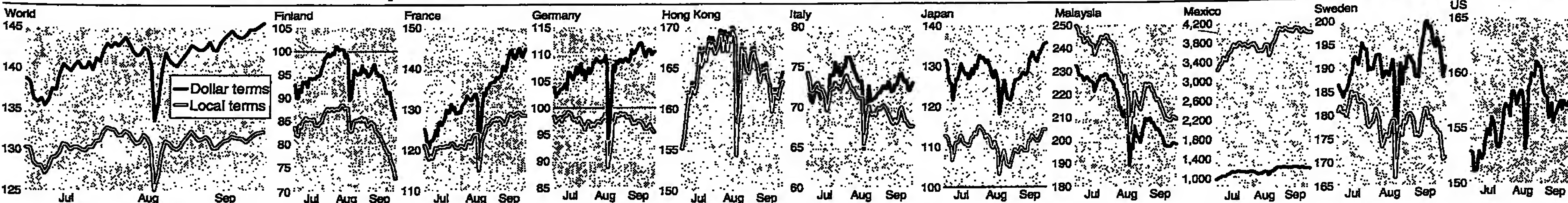
Commercial rates taken from the London market. One-month forward rate of 1.7492. 12-month forward rate of 1.7492.

EURO-CURRENCY INTEREST RATES

Oct 1	Short	7 days	One month	Three months	One year
US	10.00	10.00	10.00	10.00	10.00
UK	10.00	10.00	10.00	10.00	10.00
Canada	10.00	10.00	10.00	10.00	10.00
Japan	10.00	10.00	10.00	10.00	10.00
France	10.00	10.00	10.00	10.00	10.00
Germany	10.00	10.00	10.00	10.00	10.00
Italy	10.00	10.00	10.00	10.00	10.00
Spain	10.00	10.00	10.00	10.00	10.00
Sweden	10.00	10.00	10.00	10.00	10.00
Norway	10.00	10.00	10.00	10.00	10.00
Denmark	10.00	10.00	10.00	10.00	10.00
Greece	10.00	10.00	10.00	10.00	10.00
Portugal	10.00	10.00	10.00	10.00	10.00
Finland	10.00	10.00	10.00	10.00	10.00
Ireland	10.00	10.00	10.00	10.00	10.00
Belgium	10.00	10.00	10.00	10.00	10.00
Netherlands	10.00	10.00	10.00	10.00	10.00
Austria	10.00	10.00	10.00	10.00	10.00
Switzerland	10.00	10.00	10.00	10.00	10.00
Poland	10.00	10.00	10.00	10.00	10.00
Czech Republic	10.00	10.00	10.00	10.00	10.00
Slovak Republic	10.00	10.00	10.00	10.00	10.00
Slovenia	10.00	10.00	10.00	10.00	10.00

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FT-Actuaries World Indices in the third quarter 1991



AMERICA

Dow mildly encouraged by economic data

Wall Street

SHARE PRICES added to Monday's modest gains yesterday morning, aided by moderately bullish news on the economy and hopes of another interest rate cut, writes Patrick Harverson in New York.

By 1 pm the Dow Jones was up 7.38 at 3,094.15. The more broadly-based Standard & Poor's 500 was also higher at mid-session, up 1.44 at 382.20 at 1 pm, while the Nasdaq composite of over-the-counter stocks gained 0.95 to 527.91. Turnover on the NYSE was a brisk 99m shares.

Share prices were pepped up in the morning by report from the National Association of

Purchasing Management which showed that its index of manufacturing orders, production, employment, factory deliveries and inventories rose from 64.5 in August to 65 in September. Any number above 50 suggests that the manufacturing sector is expanding, and yesterday's data confirm that industrial activity is recovering, albeit slowly.

Two UK company stocks were a feature. British Telecom ADRs rose \$2 to \$71.15 on expectations that the UK government will raise about \$5bn from the sale of its remaining 49 per cent stake; and the ADRs of Tishbrook, the transport group, made their NYSE debut. By mid-session they were steady at \$31 in light trading,

having briefly touched \$31.4. Maintaining the British connection, shares in Bowater Inc, the biggest newspaper producer in the US which was spun off in 1984 from its UK parent, Bowater plc, fell \$1.24 to \$29.14 in active trading after the company warned that third quarter profits would be in the range of 15 cents a share to 20 cents a share, sharply lower than the 83 cents a share earned in the same three months a year ago. Lamson & Sessions firmed \$1.24 to \$4.44 after the company said it was considering selling two of its divisions to focus on its core electrical products business.

Cleveland-Cliffs rose \$1 to \$33.00 on the news that it has entered into a 12-year contract

worth \$400m-\$500m with Weirton Steel to supply iron ore pellets. Weirton Steel rose \$1 to \$4.44, on the additional news that the company is planning a \$3m share buy-back programme.

On the over-the-counter market, profits warnings left Utilix Corp \$1 lower at \$6.44 and Integrated Device \$1.44 weaker at \$4.74. Utilix said earnings for the second quarter and the remainder of the fiscal year would be substantially below previous year levels, while Integrated Device forecast a big loss from operations in its second quarter just ended.

Canada

TORONTO stocks were slightly

higher in quiet midday trading. Investors were sidelined ahead of third quarter earnings. The TSE-300 composite index was up 6.42 at 3,394.30 on volume of 9.90m shares. Advances led declines by 203 to 178 with 208 unchanged.

The financial services index rose by more than average, putting on 21.74 to 2,752.53, while the metals and minerals index added 8.68 to 2,881.20.

Among active stocks, Royal Trustco was steady at C\$8.14, while TransCanada Pipe rose C\$1 to C\$16.74. Dofasco eased C\$1 to C\$17.44 while Scotia-Bank added C\$1 to C\$19.44.

In the mining and oil sector, Ranchmens rose C\$1 to C\$6 while Paragon Pete fell 15 cents to C\$1.85.

Brazil retreats after hitch in privatisation process

Jitters are likely to remain, writes Victoria Griffith

LAST WEEK was the worst the Brazilian stock market had experienced in months. Following the announcement that the long-awaited privatisation of Usiminas, the steel group, had been cancelled, prices plunged 11 per cent. After a rise of 30 per cent in local currency terms over the first three weeks of September, the stock market ended the month with a gain of just 17 per cent.

In dollar terms, the market was down 12.8 per cent on the month. Even without last Monday's 17 per cent devaluation of the dollar, the market would have made its first monthly loss in dollar terms, of 0.6 per cent, since April, although it is still up 214 per cent in dollar terms this year. Yesterday the local currency index recouped 5 per cent by midday, on hopes of foreign bargain hunting.

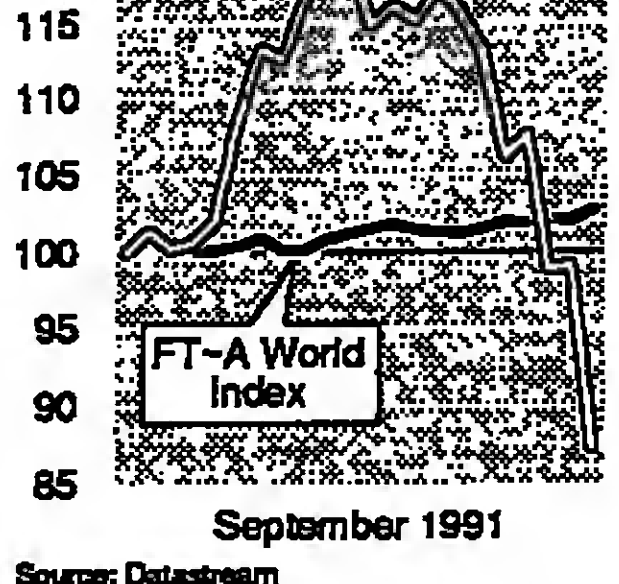
When investors arrived at the Rio de Janeiro exchange to participate in the Usiminas auction, they were physically attacked by protesters. The demonstrators were nervous at the prospect of job losses following privatisation, and felt that the government's minimum offer price for the group was too low. In São Paulo, Mr Alvaro Vidigal, president of the São Paulo Stock Exchange, was bombarded with eggs.

Even before the riot, the auction was doomed. The use of foreign debt as a currency in the privatisation had been prohibited several days before, leaving most investors without sufficient funds. Faced with the prospect of a fiasco, President Fernando Collor de Mello himself suspended the sell-off.

A decision seconded by a federal judge minutes later. The government tried to limit the damage with the rapid announcement of a new date for the Usiminas privatisation - October 15. With the sell-off still threatened by law suits, however, and uncertainty about the use of debt swaps, investors have been staying away.

Neither the president nor Mr Marcellino Marques Moreira, the economy minister, had publicly discussed privatisation until last week, leaving Mr Eduardo Modiano, president of the National Development Bank, to run the show on his own. Mr Francisco Souza Dantas, president of the Rio de Janeiro Stock Exchange, says: "What happened last week was largely the fault of the federal government. Modiano was left very much on his own."

The Brazilian stock market will depend heavily on privatisation and foreign investment to lift prices over the next few years. Company results are expected to be even worse this year than they were in 1990, and most quoted companies are closely held, so a share price rally based on takeovers is unlikely.



Source: Datastream

With so much at stake, the market has been struggling to remain optimistic. "At least this brought international attention to the Brazilian privatisation programme," says Mr Souza Dantas. "Maybe it will be a good thing in the long run."

The event has at least forced the Collor administration to assume an active role in the process, notes Mr Vidigal. Investors still hope that the Usiminas affair will cause nothing more than a short-term dip in equity prices.

Mr Roger Wright, head of the foreign investment fund at Banco Garantia, says: "As long as there are no more hitches to the privatisation process, prices will soon resume their upward climb."

ASIA PACIFIC

Nikkei up 1.9% on lower reserve requirements

Tokyo

THE 225-share Nikkei average jumped 1.9 per cent yesterday, ending above 24,000 for the first time since August 2, after the Bank of Japan announced that it would lower reserve requirements for commercial banks, writes Erika Terazono in Tokyo.

The Nikkei gained 460.57 at 24,377.01, after a day's low of 23,661.67 and a high of 24,441.68. The market advanced in the morning on index-linked buying, after initially fluctuating within a narrow range, and accelerated its upswing in the afternoon after the Bank of Japan's lunchtime announcement. Volume swelled to 600m shares from 320m.

Rises outscored declines by

748 to 265, with 121 issues unchanged. The Topix index of all first section stocks climbed 15.87 to 1,851.00 and, in London, the ISE/Nikkei 50 index put on 1.33 to 1,413.79.

Analysts said the Bank of Japan was trying to ease credit by increasing its availability, rather than lowering its cost.

The announcement triggered a strong rally in financial markets. The 129 10-year benchmark bond closed at 5.91 per cent, down from 5.97%. The fall in bond yields helped interest rate-sensitive stocks, with large-capital issues being among the most actively traded. Hitachi Zosen improved Y4 to Y10 and NKK appreciated Y10 to Y415.

Yokichi Chemical forged ahead Y28 to Y316 on reports that the company had developed a sub-

stance to eliminate C-type hepatitis virus.

In Osaka, the OSE average rose for the fifth consecutive day, adding 271.63 to 26,832.76 in volume of 40m shares.

Buying spread from biotechnology-related shares to textiles and interest rate-sensitive issues. Toa Waco Spinning and Weaving strengthened Y35 to Y770 on prospects of firm earnings owing to lower raw material prices and strong sales.

Roundup

GROWING optimism in Hong Kong and trade figures in Australia produced yesterday's highlights in the region.

HONG KONG registered its best gain since late-August as the Hang Seng index climbed 67.18 or 1.7 per cent to 4,023.57.

Volume expanded from HK\$1.12bn to HK\$1.33bn, the highest for nearly five weeks, as utilities, banks and, to a lesser extent, properties forged ahead.

AUSTRALIA gained 1.5 per cent as the current account deficit narrowed, leading to hopes of a further easing in monetary policy and a buoyant bond market. The All Ordinaries index finished 33.6 higher at 1,595.1 following turnover of A\$288m, well above Monday's A\$182m.

NEW ZEALAND extended its rally to a fifth successive day, the NZSE-40 index closing 8.87 stronger at 1,473.75 for a gain of 7.3 per cent since the central bank eased its monetary policy last week. Turnover more than doubled from the previous day's NZ\$15.2m to NZ\$34.2m.

MANILA resumed last week's recovery, the composite index advancing 6.79 to 941.11. Dealing was thin and marked by short-covering and roll-over trading of margin accounts.

Officials said that Manila Electric (Meralco) would proceed with its scheduled share offering in November, in spite of moves by other government corporations to defer privatisation plans until next year.

SOUTH AFRICA

JOHANNESBURG closed little changed as gold shares regained some small early losses. The all-gold index ended at 1,132, down 1, and the industrial index fell to 3,966. The all-share index closed steady at 3,297.

EUROPE

Continent moves ahead in quiet trading

MOST BOURSES moved slightly higher yesterday, although trading remained quiet, writes Our Markets Staff. PARIS rose to a year's high as the CAC 40 index added 6.73 to 1,887.37, passing the previous peak reached on September 20. Turnover was moderate, but less than Monday's FF\$3.3bn which had been inflated by the options expiry.

Seifm, the property leasing company at the centre of takeover speculation, jumped FF\$20 or 4.3 per cent to FF\$495 in heavy volume of 383,200 shares. Suez recouped part of its recent losses, rising FF\$6 to FF\$325 in 284,000 shares.

MILAN focused on shares controlled by Mr Carlo De Benedetti in a generally firmer session. Traders were relieved that the government had approved its 1992 budget plan on Monday evening. The Comit index rose 4.59 to 543.65 in turnover estimated at more than Monday's Lira.

Cir's first-half results, released late on Monday, sparked a round of short-covering which sent both its and Olivetti's shares higher. Olivetti closed L140 higher at L3,060 while Cir added L75 to

FT-SE Eurotrack 100 - Oct 1

Hourly changes					
Open	11 am	Noon	1 pm	2 pm	3 pm
1106.43	1108.56	1105.47	1105.82	1105.74	1106.12
					1105.43
					1105.55
Day's High 1107.19					
Day's Low 1105.06					
Sep 27	Sep 27	Sep 28	Sep 25	Sep 24	
1100.47	1104.16	1103.42	1106.34	1110.65	

Base value 1000 (26/10/90)

L2,360. FRANKFURT failed to find inspiration in Tokyo equities, or its own domestic bond market. The DAX index ended only 2.59 higher at 1,609.62 after a decline of 0.38 to 664.78 in the FAZ at mid-session, and a fall of 4 basis points to 8.90 per cent in the Bundesbank's average bond yield.

Volume was said to be low, after falling to DM2.8bn on Monday, and the main price changes were in special situations. Linotype shed all of Monday's gains and more, closer than DM\$2. Continental dropped DM\$5.50 to DM\$210.50, after an unusually high turnover of DM\$75m on Monday.

Ms Barbara Altmann of B Metzler said that there had been stories that Pirelli, cur-

rently in negotiations with Comit, wanted to raise its stake in the German tyre maker to just over 50 per cent. Metzler has recommended the stock, primarily for speculation, although it sees earnings per share of DM10 for 1992 and DM25 for 1993, after a small loss this year.

MADRID slipped again in light trading. Domestic investors were not impressed with the previous day's budget, and the general index lost 2.44 to 271.96 in turnover similar to Monday's Pta10.5bn. Banks, construction stocks and utilities fell in moderately busy trading, with BBV down Pta\$5 at Pta\$2,205, and Dragados off Pta\$0 at Pta\$2,205.

A put-through of 148,000 shares in Mapfre left the insurance company Pta\$0 down at

Pta\$250 in volume of 150,801 shares. A sale of 200,000 shares in Viscopan pushed the cellulose wrapping maker down Pta\$1.45 to Pta\$3.60 in 252,318 shares. There was talk that the company could report poor third-quarter results.

STOCKHOLM was pleased by Handelsbanken's better-than-expected eight-month statement. Handelsbanken B shares jumped SKr6 to SKr108. The A-list index climbed 0.3 to 91.14 in turnover of SKr254m, after SKr333m.

AMSTERDAM saw arbitrage-related demand for the blue chip, Unilever, which has been trading at a discount of about 6 per cent to the London-listed shares. The stock closed at Fl183.40, up Fl13.90.

Otherwise trading was quiet, with few investors willing to go into the market while interest rates remain high. The CBS tendency index added 0.3 to 90.14 in turnover of Fl542.4m.

OSLO moved higher, as Den Norske Bank recouped part of Monday's NKr7.5 loss, closing NKr4 or 12.9 per cent up at NKr35. The all-share index gained 2.34 to 494.56 in turnover of NKr221m.



On September 23rd LITOM started trading its new FT-SE Eurotrack 100 Index options contract. This complements the futures contract launched by LIFFE in June.

These contracts open up major new opportunities for international investors.

For the first time you have an exchange-traded options contract that's based on an internationally recognised, real-time measure of Continental

European stock markets—the FT-SE Eurotrack 100 Index.

You can use Eurotrack options separately, or in combination with LITOM's successful FT-SE 100 Index options contract.

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The London Traded Options Market, London Stock Exchange, London EC2N 1HP. Tel: 071 588 2355. Fax: 071 374 0451

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 30 1991							FRIDAY SEPTEMBER 27 1991							DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)	
Australia (89)	151.32	+0.9	127.98	127.03	130.79	125.98	+0.4	4.81	150.01	126.01	128.55	130.80	125.82	151.89	112.74	135.45
Austria (20)	182.84	+1.4	154.84	153.49	158.04	158.20	+0.1	1.79	180.33	153.87	152.12	157.22	158.04	224.37	154.82	188.01
Belgium (47)	128.67	+1.3	108.68	108.68	108.68	108.68	+0.1	3.41	135.12	115.29	113.97	117.79	111.00	142.27	128.36	128.36
Canada (114)	135.83	+0.5	114.88	114.01	117.39	111.34	+0.3	3.41	135.12	115.29	113.97	117.79	111.00	142.27	128.36	128.36
Denmark (37)	257.27	+1.4	217.58	215.97	222.36	224.37	+0.2	1.57	253.79	218.56	214.09	221.27	223.85	270.56	217.74	238.46
Finland (16)	85.98	+0.8	72.38	71.84	73.57	72.76	-0.7	3.31	84.92	72.48	71.84	74.04	73.24	125.15	84.92	84.92
France (105)	144.70	+0.7	122.28	121.48	125.05	128.62	-0.2	3.45	143.57	122.50	121.18	125.25	128.74	132.28	119.11	130.47
Germany (65)	110.58	+1.0	93.82	92.84	95.58	95.58	+0.1	2.35	109.48	93.41	92.38	95.45	95.45	125.25	94.15	107.85
Hong Kong (65)	164.36	+0.6	139.01	137.97	142.07	143.38	+0.4	4.37	163.49	139.51	137.91	142.85	162.83	189.98	119.82	164.36
Ireland (16)	151.04	+1.2	133.67	132.87	140.01	141.90	-0.1	5.52	181.54	168.98	135.42	139.97	142.13	162.46	132.88	132.88
Italy (77)	72.70	+0.6	61.48	61.02	62.83	67.51	-0.2	3.43	72.24	61.64	60.94	62.98	67.96	86.23	64.78	83.04
Japan (474)	136.06	+0.7	115.07	114.21	117.82	114.21	+0.2	7.44	135.14	115.31	113.99	117.83	113.99	146.97	118.23	120.00
Malaysia (89)	168.48	+0.1	167.81	168.52	163.61	163.61	-1.3	3.85	169.61	168.68	174.32	211.16	247.78	182.18	163.16	168.48
Mexico (16)	119.80	+0.1	1010.33	1002.81	1032.25	996.40	+0.1	1.32	1193.98	1018.80	1007.18	1040.96	993.28	1226.36	534.45	472.58
Netherlands (31)	140.32	+0.3	118.68	117.79	121.29	119.96	-0.6	4.50	138.87	119.35	117.99	121.85	120.69	145.73	125.70	130.62
New Zealand (14)	151.94	+0.9	140.08	139.73	142.07	144.35	+1.4	4.01	152.71	147.96	147.96	151.81	147.96	151.81	147.96	151.81
Norway (81)	201.56	+1.1	170.47	169.20	174.22	177.90	-0.1	1.58	199.35	170.10	168.16	173.81	178.04	223.24	178.58	245.48
Singapore (38)	180.97	+0.3	181.51	180.31	185.06	184.20	-0.3	2.40	190.37	182.44	180.59	185.98	148.51	206.25	151.63	148.51
South Africa (61)	244.30	+0.6	206.81	205.07	211.15	193.58	+0.3	3.34	245.82	207.76	207.76	214.32	165.06	236.58	181.70	244.30
Spain (53)	158.04	+0.8	133.67	132.87	140.01	141.90	-0.1	3.30	158.17	133.25	131.74	138.15	125.70	171.12	151.91	131.90
Sweden (25)	189.93	+1.2	160.83	159.44	164.18	170.87	-0.2	2.61	187.74	160.19	159.37	163.89	170.30	204.12	146.60	170.39
Switzerland (58)	84.16	+0.7	79.83	79.05	81.39	84.58	+0.1	2.28	83.54	79.82	78.91	81.57	84.84	100.67	82.17	86.54
United Kingdom (240)	154.48	+1.7	135.98	135.29	135.29	135.29	+0.8	4.75	161.43	134.81	133.03	136.17	151.81	187.44	132.87	132.87
USA (528)	157.63	+0.5	133.31	132.33	136.25	157.03	+0.5	3.09	158.25	133.94	132.32	136.76	156.85	167.02	125.95	127.77
Europe (827)	143.93	+1.2	121.47	120.57	124.15	123.38	+0.3	3.89	141.93	121.11	119.73	123.75	123.02	151.52	125.50	129.17
Australia (89)	187.63	+1.2	158.26	157.10	161.78	159.26	+0.2	2.04	184.86	157.73	155.94	161.71	159.00	200.81	155.55	179.22
Pacific Basin (718)	136.84	+0.7	115.69	114.82	118.22	115.52	+0.2	1.08	135.37	115.63	114.14	118.45	115.30	145.92	117.86	107.80
Europe-Pacific (1545)	138.74	+0.8	117.27	116.40	119.58	116.88	+0.2	1.08	135.37	115.63	114.14	118.45	115.30	145.92	117.86	107.80
North America (1545)	138.74	+0.8	117.27	116.40	119.58	116.88	+0.2	1.08	135.37	115.63	114.14	118.45	115.30	145.92	117.86	107.80
North America (UK) (587)	119.59	+0.8	101.14	100.41	103.39	104.70	-0.1	3.21	114.59	101.11	100.06	103.41	104.82	129.80	103.58	111.42
Pacific Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (US) (1738)	141.43	+0.8	119.51	118.72	122.55	125.57	+0.2	2.26	140.86	118.29	117.29	120.28	124.16	146.16	118.29	121.79
World Ex UK (UK) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	2.51	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (Japan) (244)	143.79	+0.5	121.51	120.72	124.28	126.34	+0.2	4.32	143.02	122.03	120.86	124.70	126.98	147.50	111.40	121.79
World Ex UK (A, L) (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.86	124.70	126.98	147.		